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EUROPEAN EXPENDITURE

How to optimise it

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European expenditure: HOW TO OPTIMISE IT

Between the 23rd and 26th of May, members of the European Parliament will be elected in the Member States of the European Union (EU), and will notably be responsible for voting on the draft budget presented by the Commission for the 2021-2027 period. Two main questions arise on this occasion.

The first question concerns the Brexit: what would be the consequences of the United Kingdom leaving, one of the three main contributors to the Union budget? According to the most serious estimations[1], the *Brexit gap* caused by the UK leaving should not exceed 9 billion euros if there is a hard Brexit, and significantly less if an agreement is reached. For France, the maximum impact could be in the order of 18% of the gap to be filled[2], i.e. 1.6 billion euros per year.

An additional cost that makes it all the more necessary to control the overheads of the European budget – the "administration" section, 7 % of payments in 2017 – that will bear down on a population and economic potential reduced by about 13% after the Brexit.

The second question is more fundamental: what should be the size of the Union's future budget? There are two opposing views: one for an economically prudent Europe and one for a more spendthrift Europe.

The 2021-2027 draft multi-annual financial framework presented by the Commission in May 2018 plans to spend 1,279 billion euros at current value over the entire period, i.e. slightly more than 180 billion a year, representing 1.11% of the gross national income (GNI)[3] of the 27 EU countries excluding the United Kingdom, to be compared with credit commitments, excluding UK expenditure, representing 1.16% of the GNI of the same countries during the current period (2014-2020).

But are these amounts really justified? The Commission highlights the fact that the size of the European budget, as a proportion of GNI, decreased between 1993-1999 and 2014-2020, from 1.28% to 1.16%. But this is failing to recognize that the situation in 1993-1999 followed twenty years of continuous increase by the same proportion: towards 1975, the European budget represented only about 0.5% of member countries' GNI.

In particular, two groups of programmes contributed to pushing and then maintaining this ratio at around 1% of GNI or beyond: structural funds and international policy actions.

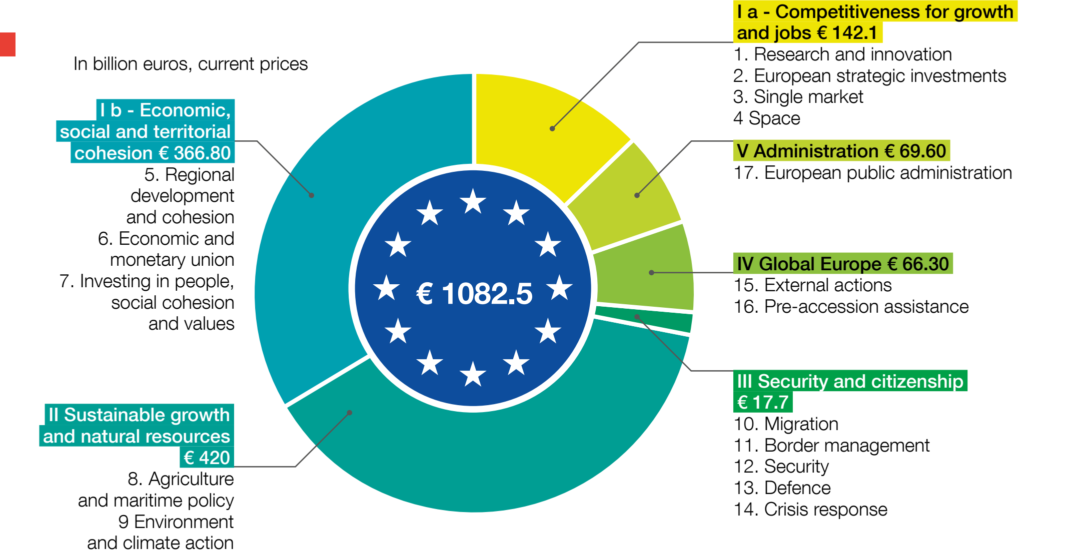
- On average, half of the money levied in each country for the European structural funds goes back to the contributing country; the proposal to abolish these financial exchanges back and forth would reduce administrative management costs by € 12.7 billion for the 2021-2027 programme.
- On the EU's international action, our proposals include eliminating the European external action service and pre-accession assistance for Turkey. Potential savings are € 17.5 billion on 2021-2027 programming.

1 In particular, see the methodology proposed in a note of 14 January 2019 published on the website of the European think tank, Bruegel (Zsolt Darvas, "*EU budget implications of a no-deal Brexit*").

2 18% = part of France, in 2018, in the total contribution of Member States (excluding the United Kingdom) to the Union budget, based on each country's GNI.

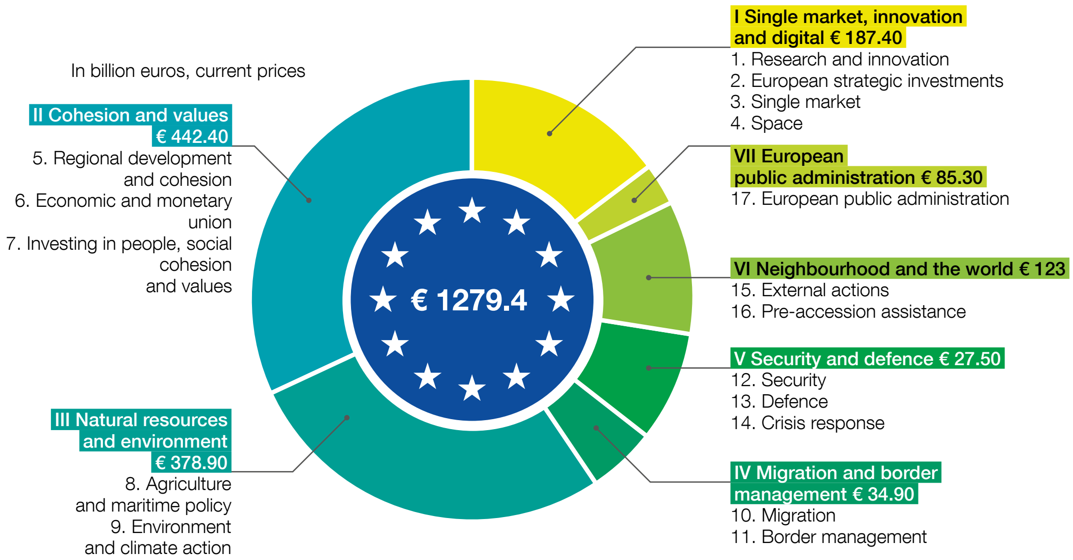
3 Definition very similar to GDP, used to calculate Member States' contributions to the EU budget.

The 2014-2020 multi-annual financial framework



Source: European Commission

The new 2021-2027 multi-annual financial framework



Source: European Commission

The structural fund expenditure and international action expenditure analysed in this study cannot immediately be identified by reading these graphs. Some sections cannot be directly compared with one another. Therefore, some programmes have changed of section between the two financial frameworks. For example, it should be noted that the Erasmus programme, classified under "competitiveness for growth and employment" in 2014-2020 (for € 16.6 billion over the period) moves to "cohesion and values" in 2021-2027. New programs have also been created and added to section 1 in 2021-2027: the Invest EU Fund for € 13 billion and the Digital Europe program with € 8 billion.

An unrealistic project: the Euro area budget

The debate on the future of Europe's finances crystallized for a moment around the proposal of a budget for the Euro area, notably formulated in Emmanuel Macron's speech at Sorbonne (26th September 2017). According to this concept, countries in the Euro-area should implement an ambitious investment budget, to reduce divergence and develop common goods, and "*means of stabilization*", to help each other cope with economic shocks.

This new budget would be financed by new European taxes, notably digital or environmental taxes, and by allocated existing taxes, for example a harmonized corporate tax. It would be managed by a finance minister from the Euro area, with budgetary control at the European level.

These proposals are far from winning unanimous support. Unsurprisingly, they encounter the strongest reluctance from countries like Germany or the Netherlands: for very good reasons, they see the beginning of a "*Transfer union*", which they do not want. The Commission takes a dim view of the idea that a new budget could arise and grow out of its control under the European Union label. This sentiment seems to be shared by some EU countries that are not members of the Euro area.

On paper, the draft budget of the Euro area is not ruled out forever... but it's pretty close to it. In June 2018, France and Germany included it in their Meseberg joint declaration on European integration, but with major restrictions: this budget would remain "*within the framework of the European Union*" and would be implemented by the Commission, without mentioning any minister from the euro area; revenue is only vaguely indicated; concerning stabilisation, only the study of a European Fund for the stabilisation of unemployment insurance - "*without transfers*" - is mentioned. Since then, the project has continued to shrink.

At the last Euro area summit (December 2018), there was no longer any question of a budget, but a simple "*budgetary instrument*", "*in the context of the multi-annual financial framework*"; no agreement had been reached, neither on the need to include stabilisation resources nor, a fortiori, on how they should be implemented; and the volume of appropriations to be allocated seemed to be reduced to a trickle - instead of "*several GDP points in the Euro area*", i.e. several hundred billion euros per year, a figure desired by Emmanuel Macron[4], we were talking about a maximum of 100 billion over seven years, i.e. less than 10% of the Union's budget and less than 0.1% of its GDP.

Emmanuel Macron did not mention his budget proposal for the Euro area in his article "*For a European Renaissance*" published on the 5th of March.

4 Interview granted to *Le Point*, 31st August 2017. The current size of the EU budget (28 member states) is around 1% of GDP.

I EUROPEAN STRUCTURAL FUNDS: THE WONDERFULLY COMPLICATED SYSTEM REMAINS TO BE ABOLISHED

The words "structural funds" refer to a group of European budget expenses directed towards rural and maritime development, as well as economic, territorial or social cohesion actions. These funds were present in the early years[5] , but they have more recently gained strength. They now represent nearly 480 billion euros[6] for the seven years of the programming period 2014-2020 (€ 68 billion per year).

The uninterrupted development of the structural funds

In the mid-1980s, the European Community was still a free trade area supplemented by agricultural protection, called the Common Agricultural Policy (CAP). It consisted of eight countries with a fairly similar level of wealth, plus two less wealthy countries, Ireland and Greece, and it spent very little money on structural actions. Since the accession of Spain and Portugal in 1986, structural actions have been developing at a fast pace: from less than 13% of the community budget in 1985 to almost 31% in 1993 and from 0.12% to 0.37% of the GDP of Member States. The burden of these expenses then stabilized until 2006. With 2007-2013 budget programming, the share of structural actions again increased until it reached almost 50% by the end of the period. Ongoing programming (2014-2020) should, on average, keep this share above 40% of the budget and 0.4% of GDP.

Since the 1990s, these expenditures have been paid almost entirely by five funds organized by a common regulation and five specific regulations. Three of them are grouped together under a very broad economic, social and territorial “cohesion” objective. This designation refers to the payment of subsidies:

- by the European Social Fund (ESF), directed towards employment and vocational training (€ 83.9 billion of allocations for 2014-2020);
- by the European regional development fund (ERDF), directed towards support for local investments (€ 199.2 billion over the same period);
- by the Cohesion Fund, created by the Maastricht Treaty and introduced in April 1993; it finances investment projects in Member States whose gross national income per capita is less than 90% of the average of the countries in the Union (€ 63.3 billion for 2014-2020 in 15 countries out of 28 in Southern and Eastern Europe: Bulgaria, Cyprus, Croatia, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Czech Republic, Romania, Slovakia, Slovenia).

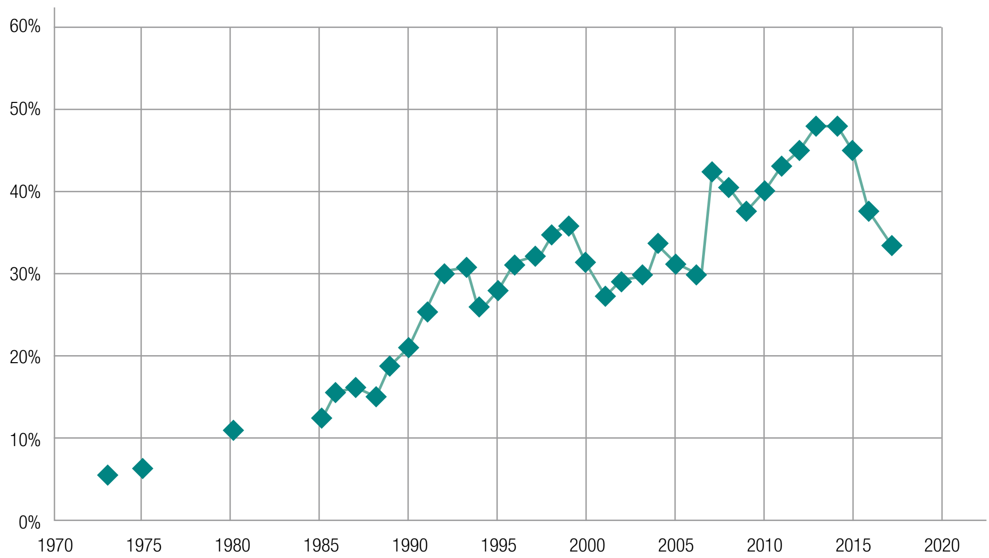
The other two funds provide subsidies in rural and maritime sectors. These aids also have a wide variety of objectives, but they do not relate to support for prices or for the functioning of agricultural and marine markets. In 2007, the European agricultural fund for rural development (EAFRD) succeeded EAGGF-Guidance for the agricultural and rural world (€ 100.1 billion for 2014-2020). In the same year, the European fisheries fund, followed by the European maritime and fisheries fund (EMFF) succeeded the Financial instrument for fisheries guidance (FIFG) created in 1993 (€ 5.7 billion).

The first structural fund regulations planned zoning of their distribution. The purpose of this was to focus actions on a small number of regions that were lagging behind or in difficulty. However, as soon as the European funds started to gain power, the objectives multiplied. Some of them were not regionalized. For the other objectives, the eligible areas were extended, so that between

5 The Treaty of Rome already mentioned a European Social Fund, but with a very limited role. The European agricultural guidance and guarantee fund (EAGGF) introduced in 1962 included a "guidance” section, the ancestor of structural funds now dedicated to agriculture and fishing. A European regional development fund was created in 1972 and actually introduced in 1975.

6 European Commission, Analysis of budgetary implementation of the European structural and investment funds in 2017 (May 2018), total appropriations for 2014-2020 of annexes 1 "cohesion" and 2 "natural resources", excluding the European Agricultural Guarantee Fund (EAGF).

Expenditure on structural actions as a % of European budget expenditure (payments, 1973-2017)



Sources: a) 1973-2006: European Commission, financial report on the 2006 budget, annex II, line "structural funds" / general total including Euratom and European development fund (EDF); b) 2007-2017: annual financial reports on the budget, annex 2a, section 1b "cohesion" + (section 2 "natural resources" - line 2.0.10 "EAGF") / total budget expenditure including EDF expenditure.

1989-1993 and 1994-1996, the population of these areas increased from 43% to almost 52% of the Union's population. With the 2007-2013 programming, "*the concept of zoning, as practised in previous generations, disappeared*"[7]. Today, it only remains for the Cohesion fund that targets 15 beneficiary countries.

A wide range of objectives

At each new multi-annual period, the Commission intends to streamline and more efficiently target the structural funds, by defining new objectives and "priorities" on which future subsidies will have to focus. However, this remains theoretical: the objectives are sufficiently numerous and vague to make a very wide range of projects open to being subsidised. Furthermore, fragmentation of the sums paid out remains common practice. At the end of the 2000-2006 period, the European Court of auditors published some very partial but informative statistics in its 2006 annual report. For structural policies, excluding the Cohesion fund, there were 545 operational programmes over this period, broken down into a myriad of projects that could only represent "*a few hundred euros of aid for an individual beneficiary*". The Cohesion fund, which was a little more focused, had financed 1,094 projects, the smallest of which involved amounts of only 50,000 euros[8].

Over the following period (2007-2013), iFRAP analysed the ERDF subsidies in France for 2012, noting how they were scattered (almost 8000 applications), the multiplicity and "catch-all" character of the themes, the large number of small subsidies (including 8 under 1,000 euros). We pointed to the similar findings of the French Court of auditors, which in its 2012 annual public report for the ESF, underlined the "wide dispersion of actions"[9].

7 Commissariat général à l'égalité des territoires (French general commissariat for territorial equality), European Structural and Investment Funds 2014-2020. History, Implementation and Projects, May 2018, p. 34.

8 Annual report for the 2006 financial year, p. 157.

9 Société civile, n° 132, February 2013, "Fonds structurels européens. Stop au saupoudrage sans contrepartie" (European structural funds. Stop smurfing without compensation) study, p. 14 to 17.

Thematic objectives of the ERDF, ESF and Cohesion fund, or the melting pot

The Commission's general regulation on 2014-2020 structural funds identifies eleven objectives.

Two of them are used to finance projects for small or medium-sized businesses (Thematic objective 3 "Enhancing the competitiveness of SMEs", i.e. 99.8% of European companies representing two thirds of employment and almost 60% of the added value of all non-financial enterprises) and any public administration project, provided it is presented with the appropriate packaging (Thematic objective 11 "*Enhancing institutional capacity of public authorities and stakeholders and contributing to the efficiency of public administration*").

The nine other objectives finance a very broad range of public actions that can benefit projects for SMEs and public administrations, as well as large businesses and households, whether they are:

- research, information and communication technologies (thematic objectives 1 and 2);
- energy and the environment (thematic objectives 4, 5 and 6);
- transport and networks, (thematic objective 7 "*Promoting* "sustainable" *transport and removing bottlenecks in* "key" network infrastructures");
- employment (thematic objective 8 "*Promoting sustainable and quality employment and supporting labour mobility*") ;
- social benefits that, by definition, all aim to improve inclusion (thematic objective 9 "*Promoting social inclusion, combating poverty and any discrimination*");
- education and training (thematic objective 10 "*Investing in education, training and vocational training for skills and lifelong learning*").

Six years later, new programming is underway, but the smurfing logic remains unchanged. For the three funds concerned by the cohesion objective, the European Commission has planned to focus actions on thematic objectives that in practice, can be invoked to co-finance almost any public investment or even operating expenditure.

The structural funds can be criticized all the more because their actions overlap, replace or mingle with national and local funding, which is often too complex, with the same objectives that frequently already exist. The Czech Republic, France, Italy and Finland have not waited for Europe to seek out ways to improve the quality of jobs, increase vocational training, develop infrastructure, help the poorest regions and small businesses, as well as save energy. The Brussels structural funds add an additional administrative layer to this. The project co-financing that they apply is a more complicated management method that is more expensive than the globalization of aid.

The European structural funds are also excellent political communication channels: wherever Europe distributes this money, it imposes that the Union's logo and action be displayed first or at least on par with other authorities (State, local authorities).

Structural fund actions are geographically too fragmented, too scattered in their purpose, too detailed, too redundant with national and local policies and without any real European added value, making them look like an overly complicated piece of machinery: half of them only redistribute to each country all or part

To examine the concrete implementation of the structural funds at the beginning of the new 2014-2020 programming, we have data that was recently published by the European Court of Auditors in its special 2018/21 report. A sample of operations that is indeed small (34 projects launched in 2014-2016 by two of the five funds in four countries - Czech Republic, France, Italy and Finland - for a total amount of € 312 million and subsidised by the Union for € 198 million, i.e. on average 63%), but that already reveals them to be broadly scattered with cases of very small subsidies and ridiculously low rates.

It includes, in no specific order:

- in France, the resumption of a printing activity in the Vosges (European subsidy at a rate of 2%, i.e. 40,000 euros); in the same department, purchase of hydraulic tools (rate of 1.3%, i.e. 20,000 euros), support for the development of a ski resort; co-financing of beneficiaries of minimum income in a department; financing of services to support and learn French, vocational training for 2,464 construction workers in Paris and the inner suburbs, training actions for 21,680 unemployed people;
- in the other three countries, diverse operations such as spaces in nurseries around Prague or subsidies of 20,000 and 60,000 euros respectively for two companies to participate in trade fairs and exhibitions abroad (Czech Republic); hairdressing courses (600 hours) in Piedmont or the acquisition of 10 buses in Apulia (Italy); subsidies for six companies for projects ranging from the production of powder coating to the production of steel pipes and structures, or the co-financing of the development of a "service model" in a municipal centre for employment services for young drug addicts (Finland).

of the money that was previously taken from it, with a significant administrative cost.

Since the observations we made six years ago, the share of the structural funds in the European budget has stabilized at a high level. There has been no significant reform of these transfer mechanisms, the defects and cost of which remain unchanged. In the same way as six years ago, half of the money involved in structural funds (50.6% in 2018, i.e. 35.5 billion euros according to our estimations) does not correspond to any real redistribution between the member countries of the Union. These 35.5 billion represent between one fifth and one quarter of the European budget.

Stop transiting funds through the European budget

Consequently, we reaffirm our proposal to radically simplify the management of structural funds: stop worthlessly transiting these 35.5 billion euros each year through the European budget, which would reduce the overall contribution of member states by 20 to 25% and at the same time, would give them full control over how this money is used. In concrete terms, this means, for example, that by 2018, France's contribution to the EU budget would have been reduced by almost 4.2 billion euros. It could have regained control of how this sum is managed by deciding for itself which actions to finance: to train job-seekers, subsidize Pôle emploi or private organizations directly without going through Europe; pay for training in the

Financial impact of structural funds

(Budget Estimates for 2018)	A Allocations for each Member state (M euros)	B Contributions financing these Allocations (M euros)	C = A-B Contribution (-) or aid (+) net per country (M euros)	D Actual redistribution (M euros)	Same, as a % of GDP
Austria	759.5	1,701.5	-942.0	-	-
Belgium	459.1	2,173.2	-1,714.1	-	-
Bulgaria	1,558.3	245.9	1,312.3	1,312.3	2.4%
Cyprus	111.4	90.6	20.8	20.8	0.1%
Czech Republic	3,699.2	875.2	2,824.0	2,824.0	1.4%
Germany	4,289.5	15,548.6	-11,259.1		
Denmark	276.7	1,391.7	-1,115.0		
Estonia	697.3	112.7	584.6	584.6	2.3%
Greece	3,384.8	919.1	2,465.8	2,465.8	1.3%
Spain	6,098.8	5,860.9	237.9	237.9	0.0%
Finland	578.0	1,107.6	-529.6	-	-
France	4,176.1	11,660.1	-7,484.0	-	-
Croatia	1,675.8	236.0	1,439.9	1,439.9	2.8%
Hungary	3,874.7	605.2	3,269.5	3,269.5	2.5%
Ireland	509.5	1,187.2	-677.7	-	-
Italy	6,894.2	8,545.0	-1,650.8	-	-
Lithuania	1,317.9	201.1	1,116.8	1,116.8	2.5%
Luxembourg	24.6	192.7	-168.1		
Latvia	890.1	136.6	753.5	753.5	2.6%
Malta	129.8	51.1	78.7	78.7	0.6%
Netherlands	357.5	2,846.2	-2,488.7	-	-
Poland	13,560.8	2,285.8	11,275.1	11,275.1	2.3%
Portugal	3,858.8	944.2	2,914.6	2,914.6	1.4%
Romania	4,939.3	915.0	4,024.2	4,024.2	2.0%
Sweden	579.1	2,169.6	-1,590.5		
Slovenia	613.0	209.6	403.3	403.3	0.9%
Slovakia	2,409.7	422.8	1,986.9	1,986.9	2.2%
United Kingdom	2,538.5	7,626.7	-5,088.1	-	-
28-member Europe	70,261.8	70,261.8	-	34,707.7	-

Actual overall redistribution between Member States = only 49.4% of total payments (total column D / total column A)

Sources and methodology:
Column A: European Commission, Analysis of budgetary implementation of European structural and investment funds in 2017 (May 2018), Sum of allocations per Member State for 2018 under Annexes 1 (Economic, social and territorial cohesion) and 2 (Sustainable growth and natural resources).
Column B: Budget 2018, table 7 p. 21, sum of columns (6) "GNI-based resource", (7) “Reduction in favour of Denmark, the Netherlands, Austria and Sweden” and (8) “British correction”: for each country, structural fund expenditure is supposed to be financed with its contribution to the European budget based on gross national income, modified by various corrections; the contribution thus calculated is reduced by the same proportion for each country, in order to equalise the total amount of contributions with that of the expenditure for structural actions (70.26 billion euros for all 28 countries).

building sector in the Paris region or help a department to pay the minimum wage, more vigorously mobilize our own funding systems for vocational training and social assistance without going through Europe, and so on.

In the same way, Italy would have witnessed its contribution to the European budget fall by nearly € 6.9 billion and would not need Europe to finance 600 hours of hairdressing courses in Piedmont or purchase 10 coaches in Apulia. In 2018, Spain received € 6.1 billion in structural funds, which it financed with a roughly similar contribution of € 5.9 billion: it could have almost entirely avoided all this transferring back and forth. Germany would have regained control of 4.3 billion euros, whereas the United Kingdom would have regained control of 2.5 billion euros.

Even the 15 Cohesion fund countries, all currently net beneficiaries of the structural funds, would benefit. By replacing these funds with a flat-rate aid that is equal to the net amount of the transfers currently made in their favour, they would save more than € 8.2 billion in contributions and be able to use them freely.

This naturally implies that the funds thus renationalised will be used by the French authorities - State or local authorities - more efficiently and more selectively, with better assessment of performance.

A definite impact on the burden of European bureaucracy

This new organization would also require a review of how European bureaucracy operates: the disappearance of design, study, decision-making, administration, communication, audit and control tasks related to these expenses, representing more than 40% of the European budget would justify substantial savings on the expenditure of the Commission[10], which is responsible for managing it and alternatively, the European Court of auditors, which helps to audit it. In member states, public expenditure incurred by the central government and local authorities in setting up, managing and coordinating subsidy applications for structural funds should also logically disappear. We estimate that overall minimum savings of one billion euros per year are achievable for these two matters.

II EUROPE'S INTERNATIONAL ACTION: A MUCH-NEEDED REVIEW

Significant expenditure

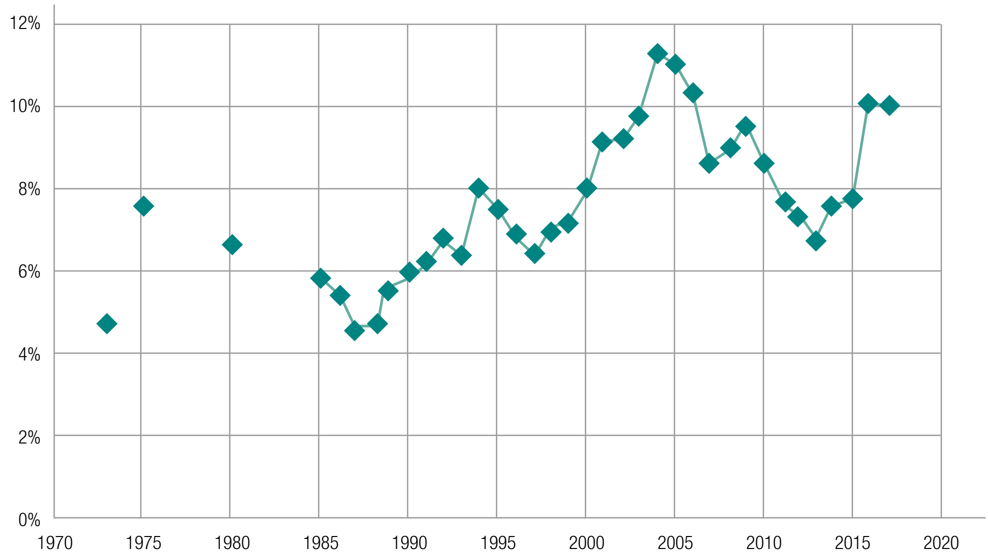
The originality of European spending on international action is that not all of it appears in the EU budget. It is partially included in specific programmes: those of the European Development Fund (EDF).

▮ For the 2014-2020 multi-annual financial framework, *the Union's budget* has a section 4 "*Global Europe*". It is devoted to the Union's common foreign and security policy (CFSP), but above all, it is devoted to aid or cooperation actions for more than 150 countries: humanitarian aid; actions related to the Union's neighbouring countries with two financial tools, the European neighbourhood instrument and the instrument for pre-accession assistance; actions in more remote areas financed by a development cooperation instrument. These expenses amounted to 9.79 billion euros in 2017.

▮ The *European development fund* was planned by the Treaty of Rome. It is a set of multi-annual assistance programmes that follow on from one other in time, but with overlapping implementation periods. To date, there have been 11 EDF programmes. They result from agreements between Union countries and plan a specific method of allocating contributions among these countries. The current agreement, until the end of 2020, was passed

▮ 10 These expenses now represent nearly 60% of the cost of the "administration" function of the European budget.

Expenditure on international actions as a % of European budget expenditure (payments, 1973-2017)



Sources: a) 1973-2006: European Commission, financial report on the 2006 budget, annex II, sum of the "External Action", "Pre-accession" and "EDF" lines / overall total including Euratom and European development fund (EDF); b) 2007-2017: [(annual financial reports on the budget, annex 2a, section 4 "Global Europe") + (European Court of Auditors, annual reports on the EDF, table 1, total amount of payments)] / total budget expenditure, including EDF expenditure.

in Cotonou in 2000. The EDF is partially managed by the Commission - but outside the EU budget - and partially by the European Investment Bank (EIB). The EDF paid out 4.26 billion euros in 2017.

Since 2016, a small part of the international aid credits from the European budget and from the EDF have been donated to an "*Emergency trust fund for stability and addressing the root causes of irregular migration and displaced persons in Africa*" (acronym: EUTF). This fund was created following the summer 2015 migration crisis. It comes in the form of a tool to defuse irregular migration. In addition to pay-outs, it receives specific voluntary contributions from some Member States.

In 2017, the international actions of the Union budget and the EDF accounted for around 10% of European budget expenditure, including the EDF. According to our calculations (see graph above), the relative burden of these actions in the budget has roughly doubled over the last thirty years. The Commission would like to further increase this share during the period 2021-2027.

Substantial savings are possible

These actions pose questions for more than one reason.

1) Most of them overlap significantly with those of the Member States. Therefore, the risk of redundancy and duplication is high. This risk cannot be eliminated or even reduced, because it is an area - foreign policy, cooperation and defence - in which the major competence of the States is not disputed. On the contrary, the overlap between Member States and European institutions multiplies the number of financial instruments and pro-

Draft budget 2021-2027: strong growth in the Union's international expenditure

In the 2021-2027 draft multi-annual financial framework presented by the Commission in May 2018, section 5 "Neighbourhood and the world" follows on from the "Global Europe" section of the 2014-2020 financial framework. It would be funded with € 108.9 billion (at 2018 prices), i.e. approximately € 15.6 billion per year, which represents 9.4% of total EU budget expenditure. The entire amount is broken down into two items:
15 "External action", for € 93.2 billion, comprising 6 programmes or categories of action: Neighbourhood, development and international cooperation instrument (€ 79.2bn); Humanitarian Aid (€ 9.8bn); CFSP (€ 2.6bn); Overseas countries and territories, "including Greenland", (€ 0.4bn); Other actions (€ 1.1bn); Decentralised agencies (€ 0.2bn).
16 "Pre-accession aid" for € 12.9 billion, with a single programme of the same name.
In addition, there is an unallocated credit margin of € 2.9 billion.

Two other budget lines would be added to it:
- in the new "Security and defence" section, expenditure is almost entirely absent from 2014-2020 programming: "European Defence Fund", investments for "military mobility" (€ 17.2 billion in total);
- a "European Peace Facility" (to finance military operations placed within the framework of the CFSP or decided by international or third country initiatives) would also be created for € 9.2 billion.

The total of these various expenditures would amount to 11.7% of the Union's budget for 2021-2027, taking into account EDF expenditures. Therefore, this percentage is comparable to that for the current "Global Europe" section and EDF expenditure in the total EU expenditure, including EDF, i.e. 9.9% in 2017 (€ 14.05 billion / € 141.64 billion). Should the Commission's budget program be adopted, it would mean an increase of almost 2 percentage points in 2021-2027 and in relative terms, 18% of international policy actions (CFSP, aid and cooperation outside the EDF, defence) in the EU budget compared to the current situation. This is without taking into account, among these international actions, the EU's expenditure for the budget section "Migration and border management" that the Commission is now proposing to isolate, with an allocation of € 30.8 billion for 2021-2027, more than 2.5 times higher than the amount for the period 2014-2020.

cedures. In its statement of January 2018 on France's contribution to the EDF, the French Court of auditors noted that between the period 2000-2006 and the period 2014-2020, "*management costs went from less than 1% of credits to almost 3.50%*".
The Court links this inflation, in particular, to the development of a new category of European international aid funds, called "trust funds", which with special management rules, combine the resources of the EDF and those of the EU budget, as well as contributions from Member States. Complexity and redundancy have gradually worsened with the introduction of a European Union diplomatic administration. The Treaty of Lisbon, which has been in force since the 1st December 2009, created the position of

11 These delegations, previously attached to the Commission, now have full diplomatic status.

High Representative of the Union for Foreign Affairs and Security Policy. At the same time, this person, who is referred to as "*Mr* (or Mrs) CFSP", is also Vice-President of the Commission. The position is currently held by Britain's Catherine Ashton. She has an administration created by the same treaty that became operational on the 1st January 2011: the European External Action Service (EEAS) consisting of a seat in Brussels and a global diplomatic network of 140 delegations[11] - in other words, European Union embassies. This permanent international representation now costs 9% of the Union's administrative budget, i.e. 0.9 billion euros in 2017[12].

In 2014, a special report by the European Court of Auditors seriously criticized the conditions in which the EEAS was set up. It then occupied (figures for June 2013) 3,400 officials, including 1,500 at the headquarters and 1,900 in the delegations. The report noted that it was "*hastily*" implemented and was "*poorly prepared*". Furthermore, the department's tasks were "*defined in vague terms*". In the audit's refined language, the Court points to management "*shortcomings*" - particularly on "*how priorities are determined*" - "*that have reduced the efficiency of the EEAS*". According to the Court, coordination with the Commission and Member States is "*insufficient to enable the EEAS to make use of its full potential*".

These findings are typical of the malfunctioning of a department that duplicates other administrations. In this case, as it is impossible for the national diplomatic services to disappear, it would be common sense to abolish the actual EEAS.

2) Nothing prevents the Union's international action from being in contradiction with the internal policies of Member States, which are nevertheless regarded as legitimate in the light of the treaties and rules of the community market. This risk of inconsistency, which leads to overall inefficiency, must not be neglected. For example, it concerns the policies of certain Member States, in particular France, with regard to their overseas regions or territories: State aid to a particular economic activity in the overseas region or territory may be thwarted by another European aid for the same competing activity of a neighbouring developing country.

3) It is well known that international cooperation actions present a high risk of inefficient use of public money, for many reasons: corruption, clientelism, bureaucratic abuses, simple lack of "field" knowledge and the mainsprings of development of the assisted countries. Each Member State is already struggling to deal with these problems in its own bilateral relations with the countries that it is familiar with. By what miracle could a European multilateral programme, which is more out of touch with local realities and that adds an additional layer of administration, be more useful?

4) In the statement of January 2018 mentioned above, the French Court of Auditors criticized increasing use of the EDF for global budget aid that is not allocated to projects that can be monitored.

As for the European Court of Auditors, its audits underline the limits of its investigations into this type of aid when it is distributed by the Union's budget: it acknowledges that it has no means of seeing what really happens in these cases. Hence, in its 2017 annual report, the Court refers in these terms to its incapability to be able to seriously monitor the use of so-called budget support funds (€ 955 million in 2017, representing almost 10% of the Union's total international expenditure, excluding the EDF for that year):

"*Given the wide margin of interpretation granted by the regulatory provisions [governing budget support payments], the decision to comply with these general conditions is largely left to the Commission's discretion. Our regularity*

12 European court of auditors, report 2017, p. 306 (according to the EU's consolidated annual accounts).

13 Annual report on the implementation of the EU budget for the 2017 financial year, p. 297. Several recent special reports from the Court on various countries illustrate this point.

audit cannot go beyond the phase where aid is paid to a partner country, because the funds then mingle with the latter's budget resources. No potential weaknesses in financial management that lead to misuse at a national level will show up as errors in our audit" [13].

5) The "pre-accession assistance" programme also raises questions, especially with regard to credits for Turkey (nearly 40% of this programme for the period 2014-2020, i.e. approximately € 4.5 billion or € 0.65 billion per year). Thirty-two years after Turkey applied, almost twenty years after the EU accepted it and fourteen years after accession negotiations began, no one is seriously considering Turkey becoming a member of the Union. Furthermore, even if Turkey still remains officially a candidate, it is no longer asking for it. Nevertheless, the EU budget continues to spend funds for this purpose. For 2021-2027, the Commission is stubbornly proposing a very substantial package of € 12.9 billion for pre-accession aid, in which Turkey would continue to obtain the lion's share.

In view of these elements, we are not calling for a further increase, but for a downward revision of the European budget for these actions, which could be in the order of 20% of current expenditure. More specifically, the impact of the cuts to the EEAS (€ 0.9 billion per year), European budget support aid (which can be estimated at 10% of total EU + EDF payments, i.e. around € 1.4 billion per year based on 2017 results) and pre-accession aid to Turkey (€ 0.65 billion per year) would already represent more than 21% of current budget expenditure on international actions. These savings - nearly 3 billion euros per year - would result in an equivalent decrease in member countries' contributions. In return, they could either give a new boost to bilateral cooperation, better targeted on tangible economic projects, with non-EU countries that are really close to them, or for example, develop European intergovernmental cooperation in the defence field.

III ADMINISTRATIVE EXPENDITURE

Regardless of whether or not there Brexit occurs, the draft budget for 2021-2027 plans an increase in administrative expenditure (section 7): + 23% compared to current programming. Hence, the share of this expenditure in the overall budget would increase from an average of 6.4% for 2014-2020 to 6.7% for the following seven years, i.e. 85 billion euros. It should be reminded that administrative expenditure in 2014-2020 was already up by 25% compared to the 2007-2013 programming period.

The French government, like many others in the EU, does not agree with this. In the 2019 budget proposal (PLF), the document on financial relations with the Union states that "*the sharp increase in expenditure proposed by the Commission is out of step with the trend observed in Member States' administrations.* (…) *France supports the adoption of cost-saving measures, such as the adoption of a new global workforce reduction target, a targeted review of the civil servant status to ensure that the pension system is sustainable, to revise the automatic wage adjustment and modernize the allowance mobility system, or even the modernization of the taxation system for European civil servants. In addition, the ceiling construction method in section 7, which consists of uniformly applying a fixed 2% deflator, must be revised in order to make it more realistic and to avoid creating excessive margins.*" These comments are certainly well-founded, but a little paradoxical when we consider the difficulty in reforming the civil service in France!

Headcount inflation has stopped, but there has been no 5% reduction in the workforce as announced

Two reforms have changed the European civil servant status with the aim of saving money. The outcome of the 2004 reform, which we described in detail in a previous study[14], included lower salaries for new civil servants. The Commission estimates that the savings made from this reform will be 8 billion euros by 2020 and that they enabled the EU to expand. The 2011 reform follows on from the economic and financial crisis: 5% reduction in the number of civil servants over the 2013-2017 period, increase in working hours from 37 h 30 to 40 hours without any pay increase, and an increase in the retirement age from 63 to 65 (66 for civil servants recruited after 1st January 2014). This reform aimed to generate additional savings of 1 billion euros per year.

During its meeting on the 7th and 8th of February 2013 concerning the multi-annual financial framework for 2014-2020, the European Council invoked the need for "*a 5% reduction in staff, applied to all EU institutions, bodies and agencies and their administrations over the 2013-2017 period. To compensate for this reduction in workforce, the staff's working hours will be increased without salary adjustment*". The European Court of Auditors analysed the implementation of the commitment made on this point in December 2013 by the Parliament, Council and Commission, and observed that this reform has been implemented, albeit with a delay in some cases, notably by eliminating vacant posts and not replacing all staff members who were retiring.

However, this reduction in headcount has been intermingled with new jobs allocated to institutions, bodies and agencies, for example, in order to integrate Croatia and to include the Irish language. As a result, the number of jobs registered decreased by only 1.1% between 2012 and 2017, mostly in institutions (- 3.5%), whereas they increased in decentralised agencies (+ 13.7%) and executive agencies (+ 42.9%)

Consequently, between 2012 and 2016, payroll payments increased by 9.2% as a result of a slight decrease in the number of employees and higher pay. At the same time, the Court observed an increase in the use of contract workers (+ 33%) between 2012 and 2017. Therefore, we are still a long way from achieving the objectives. Nevertheless, to achieve the target of 5% less, the agencies and above all, Parliament have planned to continue reducing their workforce in 2018 and 2019.

Therefore, since 2014, the total number of employees in the European Union seems to have stabilised after a period of strong growth, linked in particular to the expansion of the Union. This insufficient result in relation to the stated objective is the product of two developments in the opposite direction: a decrease in the number of staff in the actual European institutions, which dropped below the 40,000 "mark"; and an increase in the number of staff in peripheral organisations. The latter, which are supposed to "*support the institutions and Member States*", clearly deserve closer attention.

A profusion of peripheral organisms

The multitude of specialized and decentralized agencies, as well as other bodies, whose task is to support the institutions and Member States, also responds to a desire for geographical devolution, in a subtle balance between the European capitals. It has been observed again recently with the Brexit, with France taking over the European Banking Authority and Amsterdam taking over the European Medicines Agency.

Today, this periphery of European institutions is now a weak point in controlling administrative expenditure and staff.

In 2013, the Commission drew up an initial assessment noting "*that in 35 years, 32 decentralised agencies have been created, on a case-by-case basis and according to require-*

14 *Société Civile* n° 146, May 2014, "Pour une Union européenne bien gérée et transparente" (For a well-managed and open European Union) study.

ments, but without any overall strategic vision of their role. Hence, between 2000 and 2013, the EU's budget contribution to agencies increased more than eightfold and their workforce quadrupled". The Commission indeed proposed a 5% reduction in staff, as indicated above, but this effort was challenged by the actual agencies and by Parliament. The planned headcount for decentralised agencies in the draft budget for 2019 is 7,104 posts, i.e. 285 posts more than 2018 and 1,301 posts more than the situation observed by the Commission in its 2013 statement.

This observation seems to apply to all agencies. As part of an inter-institutional workgroup on these bodies (July 2018), it was therefore recommended to continuously monitor their workforce to ensure that their level is adequate, new tasks can be properly completed, efficiency gains are consistently achieved and that agencies strive to fill vacancies quickly and effectively and improve their ability to attract experts.

In the end, by considering the total wage bill for the staff in institutions and associated pension costs (2 billion euros), staff costs can be estimated at around 7.7 billion euros in 2019.[15] Finally, it should be noted that the draft general budget of the European Union does not mention staff working for operators under contract with the Union. With all these staff (including the European central bank and the European investment fund), more than 61,000 people work for European institutions.

All in all, the combined action of the Council and the Commission has helped to change the status to make savings by increasing working hours, reforming pensions and reducing headcount. However, the agencies remain a matter of concern given their budgetary trajectory, which has remained outside the scope of savings efforts.

Two Parliaments: a debate that is still relevant

In response to Emmanuel Macron's letter to the citizens of Europe, Germany has reconsidered the anachronism that the European Parliament in Strasbourg represented in its view.[16] The French President's response: the European status of the Alsatian capital is intangible and non-negotiable. The same reaction for the Republicans, as Laurent Wauquiez considered that only one seat should be kept, but in Strasbourg "*as it is written in our treaties*".

In 2014, the European Court of Auditors analysed the potential savings to the EU budget that would result from centralising the Parliament's activities in Brussels, estimated according to the report at 114 million euros. In January 2014, the Secretary General of the European Parliament confirmed that the annual cost of the headquarters in Strasbourg was 51.5 million euros. A hypothesis of selling the Strasbourg premises had resulted in savings of 616 million euros. According to a survey, about 90% of members of the European Parliament are in favour of moving the entire Parliament from Strasbourg to Brussels. When questioned about this by an MEP, the Commission replied cautiously: "*The Treaties have given the Member States the exclusive competence to determine the seat of the Union's institutions. This is indeed decided by mutual agreement by the governments of the Member States (Article 341 TFEU).* "

15 Budget proposal PLF 2019, Financial relations with the EU, page 130.

16 The new president of the CDU, Annegret Kramp-Karrenbauer, who spoke.

CONCLUSION

At the end of this review, concerning 57% of the European budget for the period 2014-2020, we reaffirm that it is possible and justified to significantly reduce current EU spending.
For the structural funds, this means renationalising about 50% of current credits, whereas for international actions, budget support aid and a substantial part of pre-accession aid in particular must be reviewed.
Furthermore, radical simplification of the structural fund system and a reduction in the duplication of EU international actions with those of Member States should lead to a significant reduction in administrative costs and in the number of public employees in the Union or its agencies: the target of a 5% reduction in this headcount, which has not yet been achieved, could easily be accomplished. If needed, these reforms would provide room for manoeuvre for other more strategic and more focused actions. These would not necessarily be implemented in the framework of the future Union of 27 members, but could either concern only a part of these countries, or could include other countries: defence cooperation; protection of Europe's external borders; support for the development of "European champions" where it would be considered necessary for the economic independence of the continent; clearing platform between European banks, etc.
European institutions would thus shine the spotlight on one of their founding principles that is all too often forgotten: subsidiarity.

Impact of the iFRAP Foundation's recommendations

Current prices in billion euros	2021	2022	2023	2024	2025	2026	2027	2021-2027
Simplification of structural fund management (super subsidiarity)	**- 27.6**	**- 29.7**	**- 31.3**	**- 32.3**	**- 33.2**	**- 35.1**	**- 34.7**	**- 223.9**
Impact on administrative expenditure of the EU and member countries	**- 1.6**	**- 1.7**	**- 1.8**	**- 1.8**	**- 1.9**	**- 1.9**	**- 2.0**	**- 12.70**
Abolition of pre-accession funds for Turkey	- 0.65	- 0.65	- 0.65	- 0.65	- 0.65	- 0.65	- 0.65	- 4.55
EEAS (European foreign office)	- 0.9	- 0.9	- 0.9	- 0.9	- 0.9	- 0.9	- 0.9	- 6.30
Abolition of budget support funds	- 0.955	- 0.955	- 0.955	- 0.955	- 0.955	- 0.955	- 0.955	- 6.69
Abolition of the Strasbourg headquarters	- 0.114	- 0.114	- 0.114	- 0.114	- 0.114	- 0.114	- 0.114	- 0.80
Total for other actions	**- 2.619**	**- 2.619**	**- 2.619**	**- 2.619**	**- 2.619**	**- 2.619**	**- 2.619**	**- 18.33**