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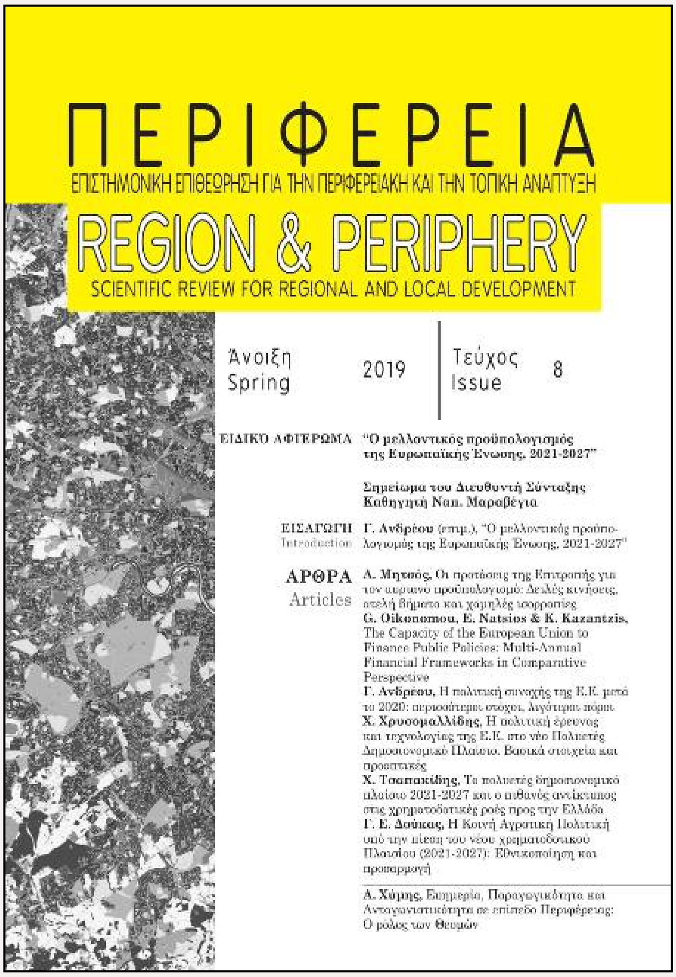

The Capacity of the European Union to Finance Public Policies: Multi-Annual Financial Frameworks in Comparative Perspective

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The Capacity of the European Union to Finance Public Policies: Multi-Annual Financial Frameworks in Comparative Perspective

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Abstract

This paper aims at examining the fiscal capacity of the EU by focusing on the Multiannual Financial Frameworks (MFFs). Taking into consideration the policy areas financed by the EU budget, the analysis draws on the MFFs 2007-2013 and 2014-2020, and compares them with the proposed by the Commission MFF 2021-2027. The main objective is to shed light on the evolution of the MFFs by utilizing empirical data, financial reports, and other policy papers. Drawing on the historical institutionalism literature, the main hypothesis is that the evolution of the MFFs follows an incremental path, and no substantial change whatsoever is observed with regard to the fiscal capacity of the EU; however, the ongoing negotiations with regard to the MFF 2021-2027 can be considered as critical, due to the fact that they can produce punctuated dynamics and discontinuities, thus change, with regard to the available financial resources for specific policy fields.

KEY-WORDS: Budget; continuity; European Union; Multi-annual Financial Framework; punctuated equilibrium.

Η Ικανότητα Χρηματοδότησης Δημοσιών Πολιτικών της Ευρωπαϊκής Ένωσης: Πολυετή Δημοσιονομικά Πλαίσια σε Συγκριτική Προοπτική

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Περίληψη

Το παρόν άρθρο επιχειρεί να εξετάσει το εύρος της δημοσιονομικής ικανότητας της Ε.Ε. εστιάζοντας στα Πολυετή Δημοσιονομικά Πλαίσια (ΠΔΠ). Λαμβάνοντας υπ' όψιν τις πολιτικές που χρηματοδοτεί ο προϋπολογισμός της Ε.Ε., η ανάλυση αντλεί από τα ΠΔΠ 2007-2013 και 2014-2020, συγκρίνοντάς τα με το προτεινόμενο από την Επιτροπή ΠΔΠ 2021-2027. Σκοπός είναι η διερεύνηση της εξέλιξης των ΠΔΠ αξιοποιώντας εμπειρικά δεδομένα, χρηματοοικονομικές εκθέσεις και άλλα κείμενα πολιτικής. Με βάση τη βιβλιογραφία του ιστορικού νεοθεσμισμού η υπόθεση που εξετάζεται είναι ότι η εξέλιξη των ΠΔΠ ακολουθεί αυξητική τροχιά δίχως να εντοπίζονται ουσιαστικές μεταβολές. Εν τούτοις, οι τρέχουσες διαπραγματεύσεις για το ΠΔΠ 2021-2027 εκτιμώνται ως κρίσιμες καθώς μπορεί να δημιουργήσουν «ασυνέχειες» και μια δυναμική «διακεκομμένης ισορροπίας», προκαλώντας αλλαγή σε ό,τι αφορά τους διαθέσιμους χρηματοδοτικούς πόρους σε ορισμένα πεδία πολιτικών.

ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ: διακεκομμένη ισορροπίαž Ευρωπαϊκή Ένωσηž πολυετές δημοσιονομικό πλαίσιοž προϋπολογισμόςž συνέχεια.

1. Introduction

The financial perspectives of the European Union (EU) have been part of the political debate about the potential of Europe to deliver sound and coherent European public policies since the very creation of the European Economic Community (EEC). From late 1980's, when the multi-annual programming periods were put forward (informally until the Lisbon Treaty) as a means of tackling dissonances between the member states and coping with organizational and functional issues of the EU (i.e. supporting with the necessary financial means all EU policies and backing the everyday functioning of the EU) disagreements over who gets what, and when have been minimized in terms of their frequency. The multi-annual financial perspectives of the EU –currently known as the Multi-Annual Financial Framework; MFF– have played a very critical role inasmuch as they have reduced uncertainty regarding the amount of money the EU will have to raise so as to place it at its disposal for spending; they have also increased the capability for EU administration to accurately distribute its financial resources over time, thus, predicting its spending capacity.

In May 2018, the European Commission presented its proposals for the 2021-2027 MFF along with the allocation of expenditures within certain European public policy fields (European Commission, 2018a). The Commission's initiative signified the launching of budgetary discussions officially held among European Union (EU) institutional actors as well as the outset of political procedures with regard to the way(s) EU financial resources should be allocated and spent during the 2021-2027 programming period. The shift from the 2014-2020 period to the following (2021-2027) constitutes a big challenge for the financial capacity of the EU inasmuch as the Union, for the first time in its history, will have to continue with one member state less since the United Kingdom (UK) has officially decided to withdraw, and to find new resources in order to substitute the losses from the UK exit, which has been diachronically among the top net-contributor member states to the EU budget.

This paper deals with the fiscal capacity of the EU to deliver European policies by utilizing its financial resources. Taking as a starting point of research the fact that the MFF has significantly supported the EU to minimize disagreements over the budget and increase stability, the paper seeks to identify the evolution of the MFF since 2007, taking into consideration the ongoing discussions about the formulation of the 2021-2027 MFF. The MFF serves as the variable which is depended upon budgetary politics regarding the –often contradictory– member states' interests. The paper draws on the historical institutionalism framework so as to examine if MFFs follow an incremental path rather than constitute major changes of the EU's financial capacity, allowing for the Union to increase its leverage and deal more effectively with a (constantly) wider range of EU macro-policies. In this regard, the analysis takes also into thorough consideration the creation of punctuated dynamics and discontinuities, thus change on specific policy areas, since it is argued that they can be the result of budgetary procedures that follow an overall incremental path.

2. Literature review

Budgetary negotiations are on the forefront of the "MFF cycle" as intensive discussions and bargains are officially held in the EU 'melting pot', whenever a MFF is gradually coming to its officially ending. What we call here as "MFF cycle" is the seven-year programming period within which member states take advantage of the financial resources of the EU and implement projects in different policy fields, principally in regional and agricultural sectors.

Interestingly, the literature offers different insights with regard to the budgetary process, yet the historical institutionalism serves as a helpful point of (theoretical) departure. According to Laffan (2000, p. 725) negotiations for the EU budget have occasionally been characterized by political dramas as intensive bargains have produced disagreements, tensions between the actors, and finally deals of the last minute. Laffan (2000) develops a theoretical framework in order to describe consecutive budgetary negotiations over time, arguing that the latter can gradually be crystallized in formal arrangements which, in turn, alter the very nature of the budgetary policy process as informal processes and policy-making are substituted by formal rules, norms, and the "logic of appropriateness" under the notion of sociological Europeanization (Börzel & Risse, 2003, pp. 65-67). Ackrill & Kay (2006) discuss the emergence of new institutional structures relevant to the EU budget system, so as to allow for the better implementation of the EU budget rules in line with the provisions of the EU Treaties. The authors offer an interesting conceptualization in trying to explain two apparently opposite notions within the historical institutionalism approach –stability and change– by applying their ideas on the EU budget and arguing that a new trajectory may actually be present within a path dependency process (Ackrill & Kay, 2006).

Citi (2015) argues about the factors that allow for budget change with regard to the allocation of expenditures. He finds that the formulation of winning coalitions in the Council, the ideology of the co-legislators and the enlargement of the EU to the cohesion countries have played crucial role in reallocations of the budget (Citi, 2015). On the contrary, the EU political cycle and the big negotiation rounds which led to the adoption of the MFFs did not find to alter the allocation of resources (ibid.). The author also suggests that despite the fact that partisan politics play a very crucial role in the budgetary process, the institutional environment can pose heavy constraints; in fact, this observation is in line with the theoretical proposition of Ackrill & Kay (2006) about the significance of institutional arrangements.

Policy stability and change is also examined by Citi (2013; see also Lindner, 2003). In his study, the author examines all the macro-areas of expenditure for the period 1984–2011 and suggests that the evolution of EU policies in time in terms of their budget, by and large, follows a continuous and incremental way; however, there are moments in time of discontinuity, where only punctuated equilibrium dynamics can explain policy changes in the evolution of budget for some cases (Citi, 2013, pp. 1167-1169). From another point of view, Matilla (2006) focuses on budgetary politics. He examines the fiscal transfers and redistribution of resources that the budget allows for, and in particular the role of the smaller member states with regard to their payments to and revenues from the budget. Interestingly, the author finds that the smaller member states manage to take advantage of their overrepresentation in the policy-making process, thus, getting more than they actually contribute in the budget (mostly for internal, agricultural and structural spending). Yet, they fail to do the same in terms of their contributions to the budget, probably due to the own resource system of the EU budget.

Finally, Kölling (2015) explores the evolution of the MFF over time. The author focuses on the opportunities that have arisen for subnational mobilization, both in financial and regulative terms (Callanan & Tatham, 2014). The study suggests that in the case of the Spanish "comunidades autónomas", subnational authorities have successfully managed to seize the opportunity offered by the EU institutional framework so as to effectively represent their interests in the budgetary negotiations, by employing a coordination/cooperation strategy with the central government (Kölling, 2015).

All in all, the literature on budgetary politics emphasizes on the notion of continuity with regard to the allocation of budget appropriations, mostly due to the institutional arrangements that favours embedded norms, discussions and formal rules to prevail over freely held bargains. However, there also seems to exist a few moments of discontinuities ("punctuations") where some policy areas gain more than the usual. In addition, new "actors in town" (sub-state entities) may also take advantage of the institutional framework and successfully participate in the negotiations.

3. Continuity or change? Financing European public policies on a multi-annual basis

The first period after the establishment of the EU (1951; European Community of Steel and Coal along with the European Economic Community created in 1957) of the EU's budget is characterized by efforts made towards the gradual development of a unitary budgetary system accompanying by the first measures for financial autonomy (1953-1975) (European Commission, 2002, p. 15-16). However, the conflicting diversity of the EU member states' interests, as represented in the Council, along with the tensions and the operating problems arisen by unsuccessful negotiations between institutions (European Parliament and the Council) created significant problems during the following budgetary period for the EU financing system (1975-1987). Respectively, the same period has been characterized by continuous disagreements and clashes over the Union's financial resources, the total amount of funds as well as their allocation with a view to the Community's policy priorities, considering the increasing need of the EU for stable and sufficient funding.

The EU's initiative to tackle with these problems led, in the summer of 1988, to the decision to reform the finance system by establishing own resources, rationalizing the structural funds so as to increase their effectiveness, and reinforcing the budgetary discipline. It was that time in the EU budget history that the launching –for the first time– of the financial perspectives (1988-1992) as an integral part of the budgetary discipline procedure served as the key-arrangement for creating harmonious financial management and effectively dealing not only with the diverse interests of the member states over a multi-annual period but also with the increasing financial needs of the Community. In other words, it was this period of time that punctuated equilibrium dynamics were created, altering significantly the budgetary procedure in the sense that the newly established own resource system minimized internal conflicts, increased budget revenues and allowed for the expansion of developmental or (re)distributional policies, such as the structural policy. The following financial perspectives (1993-1999; 2000-2006) aimed primarily to effectively manage the EU available financial resources (revenues side) as well as to balance the allocation of expenditure by means of distributing funding in different policy areas.

However, the 1988 reform on the budgetary procedure served rather as an isolated episode of change interrupting a long period of a recurrent processes and repeated practices which continued to be reproduced shortly afterwards. In this respect, the overall amount of revenues and expenditures as well as the policy priorities that followed the financial perspectives of the period 1998-1992 bear great resemblance between each other with no significant changes whatsoever. For instance, the overall commitments ceiling of the EU budget was set on average at (approximately) 1.15% of the Community's total Gross National Income (1993-99: 1.25%; 2000-06: 1.09%; 2007-13:1.12%; 2014-20: 1.13% -excluding the UK; European Commission, 2018d). Another incremental characteristic was the gradual diminishing share of agriculture and the increasing share of cohesion policy in terms of their funding. These traits of continuity and incrementalism are easily found, in a similar way, in the "successors" of the financial perspectives periods, the financial frameworks of 2007-2013 and 2014-2020 (MFFs). Neither the overall amount of funds has been fundamentally changed nor have the policy priorities been profoundly modified as the agricultural policy along with the cohesion share the vast majority of funds exceeding 70% of the total funding of each MFF. Respectively, both the total amount of financial resources as well as the distribution of money follows a recurrent pattern of incremental changes with little or no radical differences. These thoughts lead to the following proposition:

Proposition 1: The evolution of the MFFs 2007-2013 and 2014-2020 follows an incremental path, and no substantial change whatsoever is observed with regard to the overall fiscal capacity of the EU.

P. 1a: There are no radical changes over the total amount of EU funding resources.

P. 1b: The allocation of funding remains, to a great extend, stable for given policy areas and only minor changes are noticeable.

In addition, the ongoing discussions for the future MFF 2021-2027 based on the proposals of the European Commission do not seem to alter the budgetary procedures, the amount of revenues and the allocation of expenditures altogether. However, the following three factors should be taken into consideration: a) the withdrawal of the United Kingdom (UK) from the EU, a fact which poses significant amount of pressures for replacing the UK net contributions to the budget with other (equivalent) resources; According to the Commission the withdrawal of the UK "may leave a gap of EUR 12-14 billion in the annual EU budget" (European Commission, 2018c, p. 13); b) the Commission proposals for imposing new taxation over specific entrepreneurial activities; c) the Commission proposal for the establishment of a discernible and coherent policy field for the single market, which will include digital policy and innovation programmes in conjunction with the re-allocation of funds between the policy areas. These parameters allow for the re-consideration of the incremental way which characterizes the budget formulation, in particular for distinct policy areas and their respective funding, due to the appearance of punctuated dynamics which, in turn, facilitate new arrangements along with recurrent (in)formal rules and practices. In this respect, "marginalized" policy fields in terms of their respective share of funds in the MFFs may by hugely benefited from the Commission's proposal, in sharp contrast to other, traditional policy areas which could face radical reductions of funds. Thus, the second proposition is summarized as follows:

Proposition 2: The ongoing negotiations with regard to the 2021-2027 MFF can produce punctuated equilibrium dynamics through the reallocation of funds among given policy areas along with the establishment of new sources for budget revenues.

P. 2a: The negotiations for the 2021-2027 MFF can produce discontinuities in terms of decreasing the financial resources of traditional EU policy fields whereas favouring the financial support of –partly– new fields.

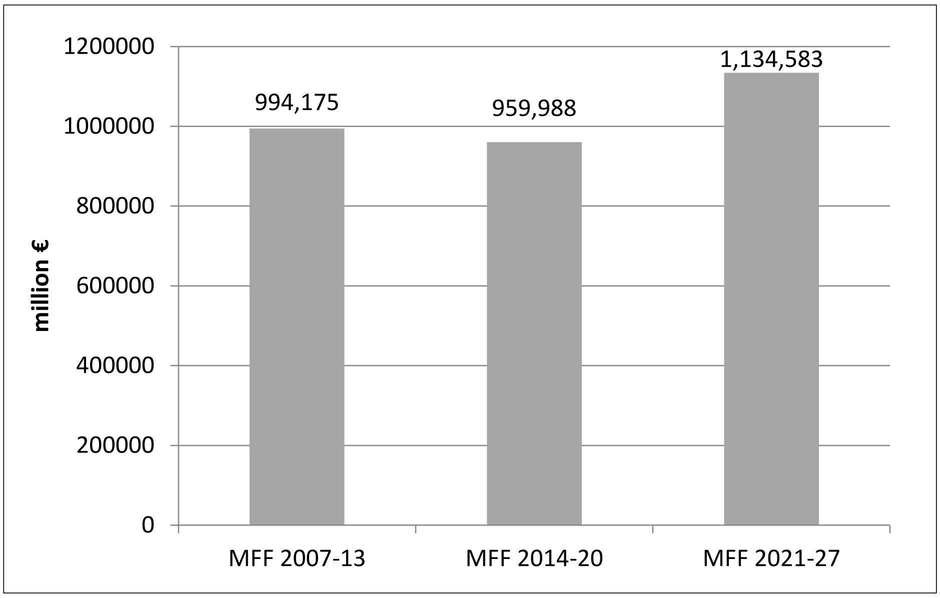
P. 2b: The acceptance of the proposed new own resource system of revenues can critically support the new MFF.

In order to examine the validity of the above propositions the paper focuses on comparing the 2007-2013 and 2014-2020 MFFs and contrasting them with the proposed MFF 2021-2027. Methodologically, the MFF is considered as the variable highly depended on budgetary politics. The article is based on data found on the European Commission financial report for the fiscal year 2014 (MFF 2007-13 & 2014-20) and its proposal about the future financial framework (2021-27). Since all data have been provided in constant prices (2011=100 for MFF 2007-13 & 2014-20; 2018=100 for the proposed MFF 2021-27) they are offered for comparisons. However, it should be mentioned that the reference year used for deflating the MFFs appears to be different in two cases: a) when analysing each MFF separately on a yearly basis, and b) when comparing all the MFFs between each others. In the first case, since the analysis focuses on each MFF no methodological problem is presented. Yet, methodological restrictions are posed when comparing the MFFs as single periods (second case), since the base year used for deflation for the MFF 2021-27 is different (2018=100) than its forerunners (2011=100 for MFFs 2007-13 & 2014-20). Likewise, it must be emphasized the fact that the Commission's proposals about the new MFF should be treated with some cautiousness altogether. The reason is because the European Parliament has criticized the adopted methodology and the way the Commission has presented the data, i.e. the inconsistent use of nominal and current prices when dealing with the allocation of funds between different policy areas, and the absence of a common methodology between the (three) institutions (European Parliament, 2018a). Such methods facilitate "obscuring flexibility" tactics on behalf of the Commission[1]. In line with this critique is the integration of the resources of the European Development Fund which adds (by 0.3% of the EU GNI) to the commitment appropriation ceiling for the new MFF (it was excluded in the MFF 2014-20). Finally, some headings' names have been slightly adjusted in order to reflect the principal policy field throughout the MFFs, thus allowing for juxtaposition of the terminology (i.e. "smart and inclusive growth" found on the 2007-13 & 2014-20 MFFs is termed "cohesion policy"; "sustainable development, natural resources" is the equivalent of "agricultural policy"; "Global Europe" is synonymous with the heading "Neighbourhood and the World" found in the proposed MFF 2021-27).

4. Overview of the period 2007-2027

When taking into consideration the three consecutive MFFs so as to get a snapshot of the broader EU financial perspectives, it should be emphasized the fact that for the first time a multi-annual financial period (2020-27 MFF) provides less resources when comparing with its forerunner (Figure 1). Though marginal, the decrease (-3.44%) compared with the previous period (2007-2013) is clearly evident and stands in sharp contrast with the argumentation about increasing the EU multi-annual financial resources and the respective ceilings (both of the commitment appropriations and payments as a share of the EU Gross National Income-GNI) so as to better deal with contemporary challenges in certain policy areas, i.e. migration, asylum and EU internal affairs in general. Figure 1 provides a brief overview of the successive MFFs. The fact that the Commission proposes a larger MFF compared with its predecessor(s) is rather impressive when considering the withdrawal of the UK from the Union. It should also be mentioned that the proposed MFF takes into account the resources of the European Development Fund, something which was not the case for the previous MFFs. Respectively, the total amount of funds for the 2021-27 period amounts approximately to 1.13 trillion euro. The prospective increase of the funding cannot constitute a significant change of the budgetary path since the ceiling appropriation is proposed to 1.11% of the EU GNI; the previous MFF ceilings had been decided to reach 1.00% (2014-20) and 1.12% (2007-13) of the EU GNI.

Figure 1: MFFs in comparative perspective.

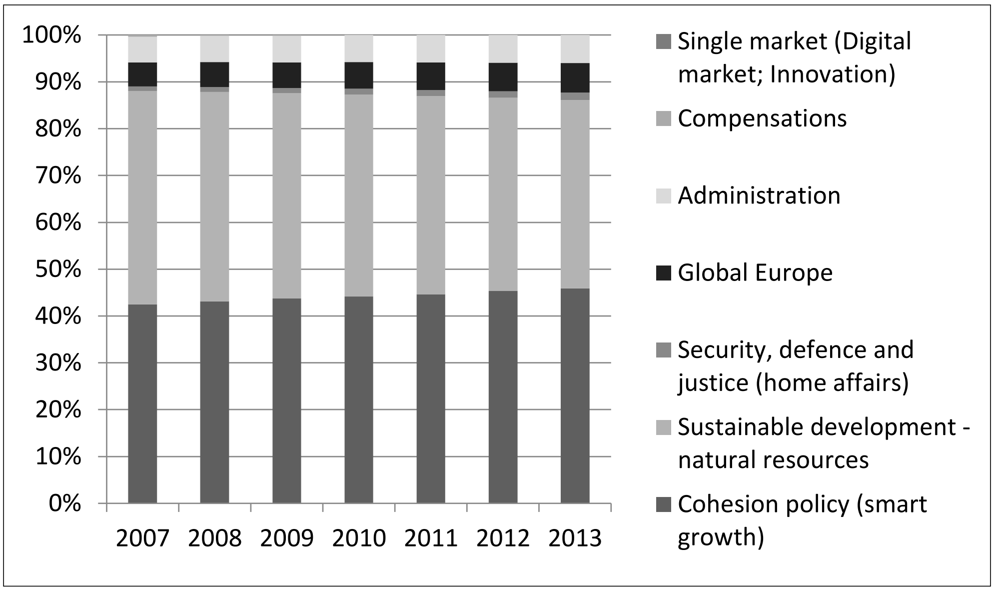


Source: European Commission (2014, p. 110; 2018c, p. 30); own elaboration (2011=100 for MFFs 2007-13 & 2014-20; 2018=100 for MFF 2021-27).

4.1 The MFF 2007-2013

Figure 2 depicts the expenditures of the 2007-2013 MFF. As it is shown, from the total 994 billion euro the vast majority of funds are allocated in two major policy sectors: agriculture and cohesion. Diachronically, the total amount of money spent in these policy areas was more than 85% of the MFF (44.2% the share of cohesion; 43% for agriculture), leaving very little financial space for exercising other EU policies. The pattern of attributing the vast amount of funding within these two policy sectors remained impressively resilient (highly inelastic and practically unchanged) during the whole period of the MFF. Expenditures related with the international role of the EU were a small proportion of the MFF (less than 6%) and the same pertains for security, defence and justice actions (less than 1,5%). The heading “single market” is not evident as a distinct category, yet programmes related with innovation and digital market are fragmentally found to be funded, particularly on the “cohesion policy” category.

Figure 2: The MFF 2007-13 – Expenditures per year.



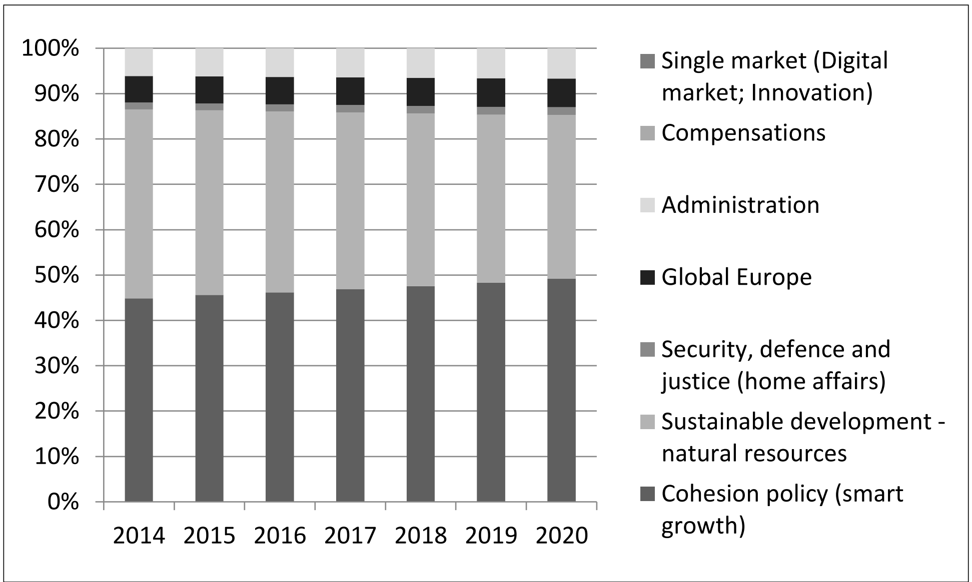
Source: European Commission (2014, p.85; 2004=100) and own elaboration.

4.2 The MFF 2014-2020

The commitment appropriations for the 2014-2020 MFF reached 959,988 million euro (1.00% of the EU GNI). The funds have been cut by 3.44% when compared with the previous period. However, things seem to follow the same path as previously as no significant change with regard to the main categories of expenditures is evident. Respectively, the vast majority of them –again more than 85%– are allocated between the two principal policy fields (figure 3). Taking into account the fact that the MFF 2014-20 has been slightly decreased when compared with its predecessor the overall result is the stability over the allocation of funds and the continuation of a pattern which focuses on the same two policy fields.

Interestingly, the difference of the share of cohesion policy and agriculture policy on the MFF seems to increase in favour of the former category when compared with the previous MFF: from 1.2% during the 2007-13 MFF the difference reaches 8.2% in MFF 2014-20. In fact, the average share of the agricultural policy is decreased (38.9%; MFF 2007-13: 43%) whereas the average share of cohesion is increased (from 44.2% in the MFF 2007-13 to currently 47%), a fact that seems to explicitly mark the priority of the EU over the two policy fields. Once again, single market programmes are not evident as a distinct category, whereas funds for home (internal) affairs and "Global Europe" actions only marginally increase their share on the MFF by 0.4% (for each category) in comparison with the MFF 2007-13. All in all, the 2014-2020 MFF do not alter the grand picture of the previous allocation of funds, in spite of the marginal re-allocations, thus, providing evidence of continuity and utter absence of substantial changes.

Figure 3: The MFF 2014-20 – Expenditures per year.



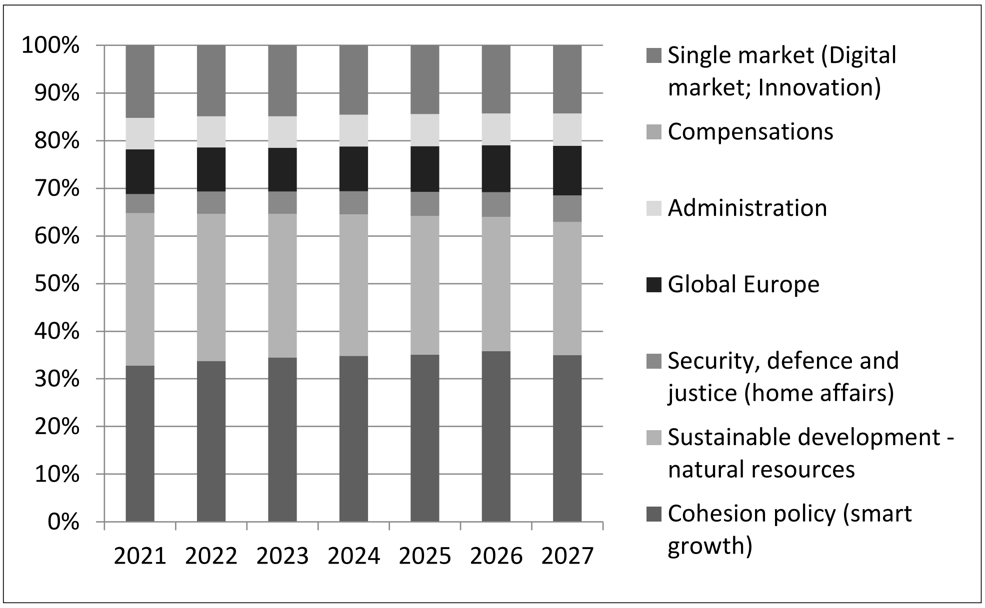
Source: European Commission (2014, p. 200; 2011=100) and own elaboration.

4.3 The MFF 2021-2027

Prima facie, the 2021-27 MFF seems to resemble with its forerunners. The total commitment appropriations of the proposed MFF reach the amount of 1,134,583 million euro (1.11% GNI – EU27). However, a few subtle yet significant differences should be pointed out, based on figure 4. Firstly, the share of funds of the two traditional policy areas over the new multi-annual period is proposed to be substantially lowered, and from 85% of the current MFF (2014-20) is estimated to reach 64.2% of the total expenditure over the next period (2021-27), signifying a significant decrease of their respective contribution. The proportion of cohesion policy reaches 34.5% of the overall MFF, and agricultural policy is proposed to reach approximately 29.7% of the MFF (figure 4). Secondly, the category "Single market" represents a unifying and coherent policy field, replacing fragmented programmes found on previous MFFs and amounting for 14.7% of the total MFF 2021-27.

In addition, the share of other policy fields is proposed to be considerably increased when compared with their previous funding resources. For instance, the category "security, defence and justice" is proposed to triple its share (from 1.2% during MFF 2014-20 is proposed to reach 4.9%). Similarly the proposed share for the role of the EU as a global actor ("Global Europe") accounts for approximately 9.6% of the new MFF, implying a significant increase of the expenditure that is expected to be attributed to this category. Furthermore, on the revenue side of the new MFF, the Commission argues about the need for establishing new sources of revenues followed by the introduction of measures that would modernize and streamline the current budgetary system.

Figure 4: The proposed MFF 2021-27 – Expenditures per year.



Source: European Commission (2018c, p. 25; 2018=100) and own elaboration.

In other words, through the proposed MFF the Commission aims to partly change the allocation of funds within certain policy fields by favouring new policy areas at the expense of the two traditional policies (cohesion and agriculture). In addition, having considered the withdrawal of the UK, the future policy challenges of the EU and the need for sufficient future financial support, the Commission has proposed the establishment of new sources of revenues. The proposed changes both in the revenue and the expenditure side of the future MFF raise the question of the likelihood of the proposed MFF (figure 4) to create punctuated dynamics and –at least some– discontinuities in policy priorities. Objections about fundamental changes are also raised, in particular when recalling of the fact that the MFF history (2007-2020) is characterized by stability over time, not only with regard to the available funding but also with its distribution between given policy areas as well as with altering the revenue system. Then, how likely is the appearance of discontinuities and changes over the new MFF period?

5. Comparing and contrasting the MFFs: "Plus ça change, plus c›est la même chose"?

The Reflection Paper on EU finances was a strong reminder of the need for reforming the EU budget (European Commission, 2017). However, with hindsight the EU budgetary system has not changed significantly since late 1990s (European Commission, 2018b, p. 5), and this could be partly attributed to inter-institutional disagreements and clashes between the main actors: the Council, the Parliament and the Commission. Indeed, the decision-making process over the MFFs allows for the interplay between the key institutional actors involved in the budgetary procedure (Laffan & Lindner, 2010). With a view to the MFF 2021-27, and in spite of the institutional actors' different views (i.e. the view of the Parliament over the suggested significant cuts on cohesion and agriculture for the period 2021-2027), it is argued that it can constitute a "window of opportunity" for change over the new financial framework.

With a view to the MFFs 2007-13 and 2014-20 is can be easily noticed that the predominant characteristic is stability over the total available amount of funding as well as its allocation on policy areas (priorities). Agriculture and cohesion absorb most of the available funding (over 85% on each MFF). When comparing the two successive MFFs it is evident that cohesion policy increases its (absolute and relative) share whereas agriculture loses money; yet, the vast sharing of the two policies on the respective MFFs, do not radically change but rather in a marginal way. The same pertains for the other categories of expenditures (internal affairs; global Europe; administration) as their respective proportions do not significantly alter during the period 2007-2020.

In other words, the multi-annul financial periods 2007-13 and 2014-2020 provide evidence of an incremental way of budget development regarding the respective MFFs: when comparing them, the total amount of available funds is slightly decreased during the MFF 2014-20. In addition, only minor changes are put into effect when considering the commitment appropriations for each category, even for the major ones –cohesion and agriculture– despite their opposite results (increase for cohesion and decrease for agriculture). In fact, some of the observed changes regarding the allocation of funds are almost unnoticed (i.e. 0.4% increase for home affairs and global Europe in the MFF 2014-20). For these reasons, stability in the sense of long-term continuity, is the predominant trait when contrasting the two successive MFFs (2007-13 & 2014-20), thus, affirming the propositions 1a and 1b.

On the other hand, the period 2021-27 seems to be offered for testing the propositions of punctuated dynamics that lead to small yet highly discernible changes (P. 2a and P. 2b), and perhaps to new policy trajectories. In general, the period 2021-2027 allows for two different observations: the first is relevant with the revenue side of the proposed MFF, whereas the second with the allocation of funding. With regard to the revenues side, the Commission has proposed a mix of new and partly revised own proposals which may add to –or partly replace– the predominant source of budget revenue, the GNI (European Commission, 2018c, p. 34). The very idea of the Commission lays on the fact that by decreasing the share of the GNI to the EU budget and expanding the mix of revenues would facilitate the implementation of EU policies (ibid., p. 33). Respectively, the European Parliament (2018b, p. 4) suggests that: "unless the Council agrees to significantly increase the level of its national contributions to the EU budget, the introduction of new genuine EU own resources remains the only option for adequately financing the next MFF". More specifically, the Commission's proposals (European Commission, 2018c) include the establishment of three new own resources: a) a common consolidated corporate tax base; b) an own resource based on the auctioning revenue from the EU emissions trading system; c) an own resource contribution based on plastic packaging waste (not recycled). In addition, the Commission emphasized on the streamlining of other sources of budget revenues such as the simplification of value added tax-based contributions, the eradication of corrections (i.e., the reduced call rate for the value added tax for specific countries and the corrections attributed to the UK) as well as the imposition of a new source of revenue based on the taxation of financial transactions. Since the EU lacks the institutional power to impose taxes and due to the fact that unanimity is a precondition for the acceptance of the aforementioned proposals, negotiations in the Council is the tool for reaching agreements over the proposals.

Turning the focus of interest on the other side of the MFF 2021-27, the proposed allocation of expenditures seems to follow an overall incremental path. For instance, the 'grand picture' reveals that the total commitment appropriations do no radically change, as the proposed ones reach 1.11% of the EU GNI (table 1). The proposed total sum of expenditures is 1,134.6 billion euro; though data are expressed in different constant prices when compared with the two previous MFFs, one could argue –in general– that the total sum of money has not radically changed from the past.

The digital policy offers an exemplary case of the pattern of continuity. Over the last decade the EU has increasingly identified the necessity to promote the digital transformation of the European society and economy in order to stimulate growth, employment and completeness. In 2015 the European Commission has adopted its proposal for the creation of a Digital Single Market as the main priority of its Digital Agenda and committed itself to allocate all the necessary financial and regulatory resources to make it a reality. This commitment is clearly identified in the Multiannual Financial Framework (MFF) 2021-2027. For the first time, in comparison with the previous MFFs, funds have been earmarked for the EU digital policy and the term "digital" made its appearance in one of the seven chapters of the Financial Framework, the one called "Single Market, Innovation and Digital".

In addition, for the first time the European Commission has proposed the launching of a €9.2 billion dedicated programme, the Digital Europe Programme (DEP), to support the deployment of digital capacities of the Union (artificial intelligence, super-computing, cyber-security, advanced digital skills and e-government). However, despite the fact that a dedicated programme is being proposed, the European Commission seems to avoid aggregating a large amount of funds in this new financial instrument and instead opts to maintain and enhance its "traditional" sources of funding. Thus, an almost 9-fold increase of investments in digital transformation, approximately 12 billion euro, is proposed through the new Horizon Europe Programme, an increase of 166% to reach 3 billion euro is anticipated through the Connecting Europe Facility – Digital Connectivity, 1.1 billion are allocated through Creative Europe MEDIA programme and a large amount of funds is anticipated under the objectives "Smarter Europe" and "A more connected Europe" of the European Regional Development and Cohesion Funds for the support of the digital transformation of the economy at regional level.

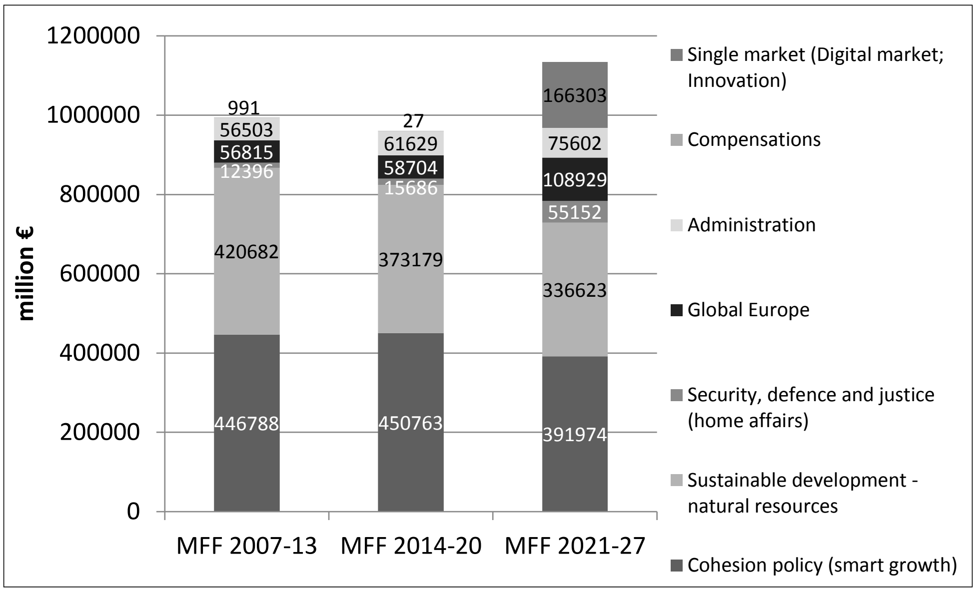
So, it can be noted that at this point of the process the increase of resources for the needs of the EU digital policy is not the result of a radical expansion of the proposed MFF but rather the result of the shift away of the European Commission from the cohesion policy towards other policy areas such as "the single market, innovation and digital". In addition, the launch of a new dedicated programme with limited capacity, following the example of Horizon programme and the simultaneous increase of the provisions of the "traditional" sources of funding of the digital policy, shows a path dependence of the European Commission over its previous channel of funding. Finally, it adds a new means to the already large number of financial instruments lending credence to the criticism about overlapping actions in the digital area and innovation (European Parliament, 2018b). It worths mentioning that the first opinion of the Scrutiny Board of the European Commission was negative and there was lack of a clear explanation on how the programme will interact with other existing programmes, in particular with the Framework Programme for Research and Innovation (FP9).

From another point of view, when delving into the new MFF some differences are more discernable and may constitute significant change from the past. For instance, regarding the "home affairs" policy area, the resources available for the European Defence Fund are proposed to be multiplied (more than twenty times) reaching a budget of 817 million euro (European Commission, 2018c, p. 16). Similarly, the establishment of budgetary instruments for stabilizing the euro area when its business cycle is contracted or its economy is on recession, along with their complementary function with other EU funds (including the European Structural and Investment Funds) represents a rather radical change of policy measures when compared with the capacity of the past MFFs to deal with situations of economic turbulence.

In addition, when focusing on specific policy areas and financial instruments it should be mentioned that the Erasmus programme is proposed to significantly benefited by doubling its budget (from 14.7 billion euro to 30 billion euro); From a reverse point of view, yet with the same implications, agriculture and cohesion are proposed to 'suffer' cuts in their budgets (their share is proposed to fall from over 85% during the 2014-20 MFF to less than 65% in the future period). The proposed decrease constitute a radical departure from a recurrent pattern which had placed these policies at the very (financial) centre of successive MFFs[2]. The above claims seem to attest propositions 2a and 2b.

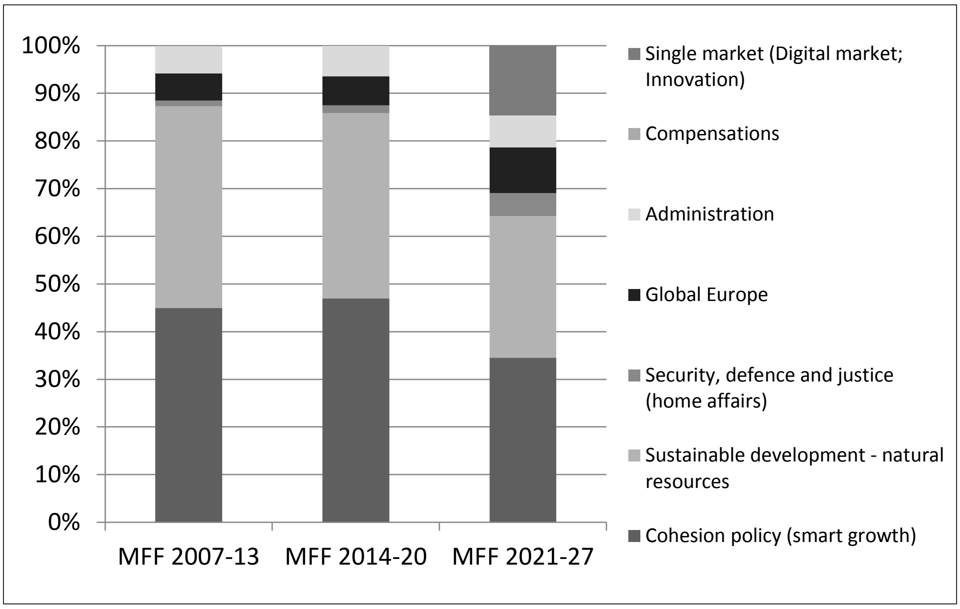
Figure 5 presents the allocation of the absolute amount of funds for the successive MFFs. Figure 6 shows the respective relative shares (%) of each policy field. Table 1 summarizes the discussion about the shares of the policy fields within the three MFFs.

Figure 5: MFFs in comparative perspective (in absolute numbers).



Source: European Commission (2014, 2018c) and own elaboration; figures inside the bars in million euro; commitment appropriations outside the MFF 2014-20 & 2021-27 have been excluded; 2011=100 for MFFs 2007-13 & 2014-20; 2018=100 for MFF 2021-27.

Figure 6: MFFs in comparative perspective (in %).



Source: European Commission (2014, 2018c) and own elaboration; figures inside the bars in million euro; 2011=100 for MFFs 2007-13 & 2014-20; 2018=100 for MFF 2021-27.

Table 1: Summary of the distribution of funds per policy field within the MFFs.

	MFF		
Policy area	**2007-2013**	**2014-2020**	**2021-2027**
Cohesion policy (smart growth; inclusiveness)	44,2%	47,0%	34,5%
Sustainable development – natural resources	43,0%	38,9%	29,7%
Security, defense and justice (home affairs)	1,2%	1,6%	4,9%
Global Europe	5,7%	6,1%	9,6%
Administration	5,8%	6,4%	6,7%
Compensations	0,1%	0,0%	0,0%
Single market (Digital market; innovation)	0,0%	0,0%	14,7%
Total commitment appropriations (as a % of the EU GNI)	**1.12%**	**1.00%**	**1.11%***

Source: European Commission (2014, p. 110; 2018c, p. 25) and own elaboration; 2011=100 for MFFs 2007-13 & 2014-20; 2018=100 for MFF 2021-27; *European Development Fund (0.03%) is included.

In a nutshell, the overall picture of the three consecutive MFFs seems to follow an overwhelming pattern of continuity. This is highly evident particularly when considering the stability of the total commitment appropriations as expressed by the EU GNI (table 1). Yet, the analysis tried to reveal that with regard to the 2021-27 MFF there are a few (proposed) small 'episodes' of change in given policy areas which seem to digress from the main incremental path of its forerunners (MFF 2007-13 & 2014-20). In this respect, not only the pattern of continuity but also proposed changes in the 2021-27 MFF are in line with empirical findings about the formulation of the EU budget. Should the proposed 'episodes' of change survive through the negotiations for the future MFF between the three institutions, the moments of discontinuity, when punctuated equilibrium dynamics are produced and explain changes in the evolution of budget for specific cases (Citi, 2013, pp. 1167-1169) as well as the reveal of new trajectories within a path dependency process (Ackrill & Kay, 2006) will be affirmed under the 2021-2027 MFF; otherwise, the pattern of continuity is highly likely to utterly prevail –once again– at the end of the negotiations regarding the final amount for funds allocated to the EU policies. In any case, future research based on solid data and finalized reports of the institutions could, unquestioningly, provide better information about the degree of incrementalism of the 2021-27 MFF.

6. Conclusion

The MFF is aiming primarily at raising the general status of living of the EU population by tackling disparities, promoting public and private investments and fostering growth and development. Despite its relatively small share as expressed by the EU GNI (approximately 1.1%) its impact on formulating coherent EU public policies is considerable. This paper examined three consecutive MFFs (2007-13; 2014-20; 2021-27) with the objective to compare and contrast them. The main hypothesis was that the evolution of the MFFs follows an incremental path and in spite of the emergence of critical points in time, no substantial change whatsoever is observed with regard to the overall fiscal capacity of the EU to finance its policies.

The findings revealed an overwhelming pattern of continuity throughout the successive MFFs. However, the ongoing negotiations with regard to the 2021-2027 MFF and the proposals of the European Commission, despite the existence of methodological problems with regard to the consistency of the provided data, can create 'episodes' of punctuated equilibrium through the reallocation of funds among given policy areas, along with the establishment of new sources of revenues. These small 'episodes' can occur as long as the Commission's proposal for certain policy areas will be accepted by the other institutions, i.e. the radical cuts on agriculture and cohesion or the multiplication of funds for the defence sector; should they be accepted, new policy trajectories may be revealed, yet without radically altering the overall 'big picture' of the MFFs' continuity over time. Future research could provide solid information about the degree of incrementalism of the 2021-27 MFF.

Endnotes

1 We wish to thank George Andreou, Assistant Professor at the Aristotle University of Thessaloniki, for his comment on this point.

2 It should be mentioned that the European Parliament (2018a) criticized the Commission on the basis that the cuts it has proposed on the two policies have been presented to be significantly lower, ranging between 5%-7%. Respectively, the European Parliament estimates the cuts between 10%-15% for each sector. The analysis of the data provided in this paper does not allow for unbiased comparisons of the 2021-27 MFF with its predecessors since the base year for deflating the data differs.

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