



MULTIANNUAL FINANCIAL FRAMEWORK

There have been five multiannual financial frameworks (MFFs) to date. The Treaty of Lisbon transformed the MFF from an interinstitutional agreement into a legally binding act. Established for a period of at least five years, an MFF must ensure that the Union's expenditure develops in an orderly manner and within the limits of its own resources, and sets out provisions with which the annual budget of the Union must comply, thus laying down the cornerstone of financial discipline. Most notably, the MFF Regulation sets expenditure ceilings for broad categories of spending called headings. On 2 May 2018 the Commission submitted legislative proposals for a new MFF for the period 2021-2027. On 27 May 2020 the Commission submitted an updated proposal for the MFF together with a proposal for a recovery instrument, Next Generation EU, in the wake of the COVID-19 outbreak.

LEGAL BASIS

- Article 312 of the Treaty on the Functioning of the European Union;
- Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020^[1];
- Council Regulation (EU, Euratom) 2017/1123 of 20 June 2017 amending Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020^[2];
- Council Regulation (EU, Euratom) 2020/538 of 17 April 2020 amending Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 as regards the scope of the Global Margin for Commitments^[3];
- The Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management^[4].

BACKGROUND

In the 1980s, a climate of conflict in relations between the institutions arose out of a growing mismatch between available resources and actual budgetary requirements.

[1]OJ L 347, 20.12.2013, p. 884.

[2]OJ L 163, 24.6.2017, p. 1.

[3]OJ L 119, 17.4.2020, p. 1.

[4]OJ C 373, 20.12.2013, p. 1.



The concept of a multiannual financial perspective was developed as an attempt to lessen conflict, enhance budgetary discipline and improve implementation through better planning. The first interinstitutional agreement (IIA) to this end was concluded in 1988. It contained the financial perspective for 1988-1992 (also known as the Delors I package), which aimed to provide the resources needed for the budgetary implementation of the Single European Act. A new IIA was agreed on 29 October 1993, together with the financial perspective for 1993-1999 (the Delors II package), which enabled the Structural Funds to be doubled and the own resources ([1.4.1](#)) ceiling to be increased. The third IIA, on the financial perspective for 2000-2006, also known as Agenda 2000, was signed on 6 May 1999, and one of its main goals was to secure the necessary resources to finance enlargement. The fourth IIA, covering the period 2007-2013, was agreed on 17 May 2006.

The Treaty of Lisbon transformed the multiannual financial framework from an interinstitutional agreement into a legally binding act. In addition to determining the 'amounts of the annual ceilings on commitment appropriations by category of expenditure and of the annual ceiling on payment appropriations', Article 312 of the Treaty on the Functioning of the European Union (TFEU) states that the MFF shall also 'lay down any other provisions required for the annual budgetary procedure to run smoothly'. The MFF Regulation is accompanied by an IIA covering the areas of budgetary discipline, cooperation in budgetary matters and sound financial management. The fifth and current MFF, covering the period 2014-2020, was adopted on 2 December 2013. The current MFF was the first to be adopted under the new provisions of the Treaty of Lisbon, stating that the Council, acting in accordance with a special legislative procedure, must unanimously adopt the MFF Regulation after having obtained the consent of Parliament.

THE MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020

In its amended proposal of 6 July 2012, the Commission proposed, for the 2014-2020 period, to increase the ceiling for commitment appropriations to EUR 1 033 billion (1.08% of the EU's gross national income (GNI)) and that for payment appropriations to EUR 988 billion (1.03% of EU GNI). Almost a year later, on 27 June 2013 the Presidents of the Commission, Parliament and the Council reached a political agreement on an MFF package which reduced the overall ceiling for commitment appropriations to EUR 960 billion (1.00% of EU GNI) and that for payment appropriations to EUR 908 billion (0.95% of EU GNI). In its resolution of 3 July 2013 on the political agreement on the Multiannual Financial Framework 2014-2020^[5], Parliament recalled that adoption of the MFF Regulation and the new IIA was linked to the adoption of amending budgets needed to provide extra payment appropriations for the financial year 2013, to political agreement on the legal bases of relevant multiannual programmes, and to the setting-up of a high-level group on own resources.

[5]European Parliament resolution of 3 July 2013 on the political agreement on the Multiannual Financial Framework 2014-2020, OJ C 75, 26.2.2016, p. 47.



When these conditions were fulfilled, Parliament gave its consent to the draft regulation, on 19 November 2013, and the Council adopted the MFF Regulation (Council Regulation No 1311/2013) for the years 2014-2020 on 2 December 2013.

Article 6(1) of the MFF Regulation requires the Commission to make every year, ahead of the budgetary procedure for year n+1, a technical adjustment to the MFF in line with movements in EU GNI and prices, and to communicate the results to Parliament and the Council.

On 15 May 2019, the Commission adopted the technical adjustment of the MFF for 2020 in line with movements in EU GNI, according to the European System of Accounts (ESA 2010).^[6] The result of this technical adjustment brought total commitment appropriations for 2020 (EUR 168 797 million) to 0.99% of EU GNI and total payment appropriations (EUR 172 420 million) to 1.01% of EU GNI. The GNI for 2020 is established at EUR 16 989 408 million at current prices for the EU-28.

Multiannual Financial Framework (EU-28)
adjusted for 2020 (EUR million, current prices)

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
1. Smart and inclusive growth	52 756	77 986	69 304	73 512	76 420	79 924	83 661	513 563
2. Sustainable growth: natural resources	49 857	64 692	64 262	60 191	60 267	60 344	60 421	420 034
of which: market-related expenditure and direct payments	43 779	44 190	43 951	44 146	44 163	43 881	43 888	307 998
3. Security and citizenship	1 737	2 456	2 546	2 578	2 656	2 801	2 951	17 725
4. Global Europe	8 335	8 749	9 143	9 432	9 825	10 268	10 510	66 262
5. Administration	8 721	9 076	9 483	9 918	10 346	10 786	11 254	69 584
of which: Administrative expenditure of the institutions	7 056	7 351	7 679	8 007	8 360	8 700	9 071	56 224
6. Compensations	29	0	0	0	0	0	0	29
TOTAL COMMITMENT APPROPRIATIONS	121 435	162 959	154 738	155 631	159 514	164 123	168 797	1 087 197
as a percentage of GNI	0.90%	1.17%	1.05%	1.04%	1.02%	1.00%	0.99%	1.02%
TOTAL PAYMENT APPROPRIATIONS	135 762	140 719	130 694	126 492	154 565	166 709	172 201	1 027 151
as a percentage of GNI	1.01%	1.01%	0.88%	0.84%	0.98%	1.01%	1.01%	0.96%
Margin available	0.22%	0.22%	0.35%	0.39%	0.22%	0.19%	0.19%	0.26%
Own resources ceiling as a percentage of GNI	1.23%	1.23%	1.23%	1.23%	1.20%	1.20%	1.20%	1.22%

[6]COM(2019) 0310 with annex.



ROLE OF THE EUROPEAN PARLIAMENT

A. The MFF 2014-2020

In July 2010, Parliament established a special committee on policy challenges and budgetary resources for a sustainable EU after 2013 (SURE), with the mission of preparing a report on the next MFF before the Commission presented its proposals. On the basis of the SURE report, Parliament adopted a resolution on 8 June 2011 entitled 'Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe'^[7].

In its resolution of 3 July 2013^[8], Parliament gave political confirmation, before its legal endorsement of the MFF package on 19 November 2013, to the agreement on the 2014-2020 MFF reached by the Presidents of Parliament, the Council and the Commission following an intense series of negotiations, during which Parliament secured:

- Flexibility for commitments and payments across headings and across years to allow the use of the full amounts planned for 2014 to 2020;
- An obligatory revision clause making it possible to reassess the budgetary needs during the MFF period and adjust them if necessary, allowing the newly elected European Parliament to play its role, and a commitment to reviewing the duration of future MFFs; a clear understanding on a viable way and timetable for the setting-up of a true system of own resources for the EU;
- Enhanced flexibility to tackle youth unemployment and strengthen research without reducing resources for other programmes^[9];
- Enhanced flexibility to provide help in the event of major disasters through the Solidarity Fund;
- Ring-fencing of funds for the large-scale projects ITER, Galileo and Copernicus in order to protect other programmes in the event of cost overruns;
- Budgetary unity and transparency, ensuring full information for citizens on all expenditure and revenue resulting from decisions taken by, or in the name of, the EU's citizens, and adequate parliamentary control.

B. Mid-term review/revision of the MFF 2014-2020

A mid-term revision (MTR) was one of Parliament's preconditions for accepting the MFF 2014-2020. Parliament's Committee on Budgets (BUDG) was in charge of preparing the ground for Parliament's negotiation mandate for MFF revision, and it started its preparations well in advance. On 29 June 2016, it issued a report covering assessment of the first years of functioning of the MFF, expectations as regards the Commission's revision, and the key elements for the post-2020 MFF. This report was

[7]OJ C 380E, 11.12.2012, p. 89.

[8]European Parliament resolution of 3 July 2013 on the political agreement on the Multiannual Financial Framework 2014-2020, OJ C 75, 26.2.2016, p. 47.

[9]EUR 2 543 million (at 2011 prices), to be frontloaded (i.e. spent more quickly in 2014 and 2015) for the following programmes: Youth Employment: EUR 2 143 million; Horizon 2020: EUR 200 million; Erasmus: EUR 150 million; and COSME: EUR 50 million.



the basis for the adoption of Parliament's resolution of 6 July 2016, which includes Parliament's demands for the current MFF as well as considerations for the next MFF. On 26 October 2016, Parliament adopted, by a large majority, a follow-up resolution to the Commission's proposal, which welcomed the modifications to the MFF proposed by the Commission.

Finally, after the negotiations and the agreement of the Council of 7 March 2017 on the revision of the MFF 2014-2020, Parliament adopted a resolution^[10] amending the MFF Regulation on 5 April 2017. On 20 June 2017, the Council adopted the revised MFF for 2014-2020 by a unanimous vote. The Council and Parliament agreed on additional support of EUR 6 billion (15% redeployments, 85% unallocated resources), subject to the annual budgetary procedure, which would be made available for migration-related measures (EUR 3.9 billion) and jobs and growth (EUR 2.1 billion, out of which EUR 1.2 billion would boost the Youth Employment Initiative). The reinforcement of the Flexibility Instrument and the Emergency Aid Reserve will allow further funds to be shifted more easily between budget headings and years, in order to be able to react to unforeseen events and new priorities.

C. The MFF 2021-2027

[On 2 May 2018](#), the Commission presented legislative proposals for an MFF covering the years 2021 to 2027. This was later than envisaged in the current MFF Regulation due to the reflection period on the [future of the EU](#).

The Commission's proposal amounts to EUR 1 134 583 million (2018 prices) in commitment appropriations, representing 1.11% of the EU-27's GNI. Budget increases are envisaged for border control, defence, migration, internal and external security, development cooperation, and research, among other areas; cuts are envisaged to cohesion policy and agricultural policy, among other areas. The overall architecture is to be streamlined and the seven new headings will comprise a total of 17 policy clusters. The number of individual expenditure programmes is to be reduced from the current 58 to 37 for the period 2021-2027. Moreover, the Commission proposes a set of special budgetary instruments outside the MFF ceilings to improve flexibility in EU budgeting, such as the Flexibility Instrument (EUR 1 billion per year), the Emergency Aid Reserve (EUR 600 million per year), the European Union Solidarity Fund (EUR 600 million per year), the European Globalisation Adjustment Fund (EUR 200 million per year), the European Peace Facility and the European Investment Stabilisation Function (loans of up to EUR 30 billion over the MFF period). The European Development Fund (EDF) would be integrated into the MFF. The Commission furthermore proposes to modernise the revenue side, with the introduction of several new categories of own resources based on the proceeds of the EU emissions trading system, a plastic-waste based contribution from Member States and a share of the common consolidated corporate tax base.

Parliament adopted two resolutions on the MFF for 2021-2027, on [14 March](#) and [30 May 2018](#). On [14 November 2018](#), building on these resolutions, Parliament further

[10]European Parliament resolution of 5 April 2017 on the draft Council regulation amending Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020, OJ C 298, 23.8.2018, p. 30.



outlined its negotiating mandate, including amendments to the MFF Regulation and IIA proposals, and a complete set of figures with a breakdown by heading and by programme.

In particular, Parliament's interim report specified the following:

The MFF ceiling for commitments should increase from the current 1.0% (of the EU-28) to 1.3% of EU GNI of the EU-27, i.e. EUR 1 324 089 million (2018 prices), corresponding to an increase of 16.7% above the Commission proposal. The allocations for the common agricultural policy and cohesion policy should remain unchanged in real terms while several priorities should be further reinforced, including expenditure programmes for the 'single market, innovation and digital' heading (in particular Horizon Europe), for the 'cohesion and values' heading (in particular Erasmus+ and a new Child Guarantee amounting to EUR 5.9 billion), and for the 'natural resources and environment' heading (in particular LIFE and a new Energy Transition Fund amounting to EUR 4.8 billion). Financing for decentralised agencies involved in migration and border management should increase more than fourfold from around EUR 3 billion to more than EUR 12 billion. The EU budget's contribution to the achievement of climate objectives should be set at a minimum of 25% of MFF expenditure for 2021-2027, be mainstreamed across relevant policy areas, and rise to 30% as soon as possible and no later than 2027. A mid-term revision of the MFF should be mandatory and proposed no later than 1 July 2023.

Parliament and the Commission initially aimed to reach an agreement on the MFF regulation before the 2019 European Parliament elections in order to enable the next programmes to start on time. However, the Council is still working (first under the Austrian, Romanian and Finish presidencies, and most recently under the guidance of the European Council President, Charles Michel) on a compromise that can be unanimously approved by all Member States.

The Council published a draft 'negotiating box' on [30 November 2018](#), comprising text on key parameters for the overall financial package, but without figures for the ceilings and main expenditure allocations. Beyond the provisions related to the MFF Regulation, the negotiating box also touches on horizontal and sectoral issues concerning provisions in the remit of expenditure programmes falling under the ordinary legislative procedure.

On [10 October 2019](#) Parliament adopted a resolution for renewing and updating the mandate of its negotiating team, in which it urges the Commission to immediately start preparing an MFF contingency plan in the event that it is necessary to extend the current MFF.

On [2 December 2019](#) the Finnish presidency of the Council presented a Negotiating Box including, for the first time, tentative figures for the Multiannual Financial Framework 2021-2027. Under this proposal, the next MFF would amount to EUR 1 087 billion in 2018 prices (1.07% of the EU-27 GNI) in commitment appropriations.



On [12 December 2019](#) the European Council discussed the main features of the new MFF as presented by the Finnish presidency, and mandated the President of the European Council to take the debate further.

In his speech to the Council of [12 December 2019](#) the President of Parliament pointed out that the Finnish proposal on the MFF was well below Parliament's expectations as the aim should be to maintain funding for EU traditional policies at its current level in real terms, boost the most successful programmes and ensure that the Union has sufficient resources to meet the new challenges it faces. The President called on the President of the European Council and the Croatian Presidency to move the negotiations forward, to encourage conciliation and to bring the institutions' positions closer together.

The new President of the Commission, Ursula von der Leyen, announced that action on climate change would be at the heart of the Commission's work. Following this and as part of the European Green Deal, on [14 January 2020](#) the Commission put forward a proposal for a Just Transition Fund as an additional element in the package of MFF proposals^[11]. The fund would be financed to the sum of EUR 7.5 billion.

On 20 and 21 February 2020, the European Council held a special meeting to discuss the MFF but was unable to reach an agreement.

On [13 May 2020](#), the European Parliament requested by a huge majority (616 votes in favour) that the Commission should submit, by 15 June 2020, a proposal for an MFF contingency plan to provide a safety net to protect the beneficiaries of Union programmes,

Following the COVID-19 crisis and the serious economic effects of the necessary lockdown of the European societies, on [27 and 28 May 2020](#) the Commission published proposals for a significant revision of the MFF 2021-2027. The proposals include an overall amount for the MFF of EUR 1 100 billion for the period 2021-2027 and an additional recovery instrument, to be called Next Generation EU, of EUR 750 billion (in 2018 prices), EUR 500 billion of which are to be disbursed in the form of grants and EUR 250 billion as loans. The package involves legislative proposals for some new instruments as well as changes to a number of already submitted legislative proposals for programmes under the next MFF. The financing of the additional package is to be secured by borrowing on the financial markets. For this purpose, the Commission has also tabled amendments to the proposed Own Resources Decision, which would authorise the borrowing of up to EUR 750 billion. An increase in the own resources ceiling for payments to 1.4% of GNI and an additional but temporary 0.6% of GNI to 2.00% are proposed to guarantee the increased lending activity. According to the Commission, the reimbursement of the loans would best be covered by the proceeds of new own resources. The Commission announced legislative initiatives to reform the own resources system with new resources, to be introduced by 2024. Finally, the Commission package includes an increase in the ceiling for commitments in 2020 within the existing MFF, in order to mobilise support already in 2020. The proposed increase in the commitment ceiling is EUR 11.5 billion. The resulting payments are compatible with the existing ceiling for payments in 2020.

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[COM\(2020\) 0022](#), Proposal for a Regulation of the European Parliament and of the Council establishing the Just Transition Fund.

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[06/2020](#)

[11]

