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.

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];

— 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[3].

BACKGROUND

In the 1980s, a climate of conflict in relations between the institutions arose out of a growing mismatch between resources and requirements. 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) was concluded in 1988. It contained the financial perspective for 1988-1992 (also known as the Delors I package), which was intended 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 challenges was to secure the necessary resources

[1]OJ L 347, 20.12.2013, p. 884.
[2]OJ L 163, 24.06.2017, p. 1.
[3]OJ C 373, 20.12.2013, p. 1.

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', 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, according to which 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, increasing 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[4], 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.

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. On 21 April 2015 Council Regulation No 1311/2013 was amended by Council Regulation No 2015/623, which transferred the commitment appropriations not used in 2014 (over EUR 21 billion at current prices) to subsequent years (2015, 2016 and 2017) for subheading 1b, heading 2 and heading 3.

Article 6(1) of the MFF Regulation requires the Commission to make each 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 23 May 2018, the Commission adopted the technical adjustment of the MFF for 2019 in line with movements in EU GNI, according to the European System of

[4]OJ C 75, 26.2.2016, p. 47.

Accounts (ESA 2010). The result of this technical adjustment brings total commitment appropriations for 2019 (EUR 164 123 million) to 1.00% of EU GNI and total payment appropriations (EUR 166 709 million) to 1.00% of EU GNI. The GNI for 2019 is established at EUR 65 489 019 million at current prices for the EU-28.

Multiannual Financial Framework (EU-28)
adjusted for 2019 (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	1 027 142
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%

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 brief 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’.

In its resolution of 3 July 2013, 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[5];

— 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 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[6] 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 will be made available to migration-related measures (EUR 3.9 billion) and jobs and growth (EUR 2.1 billion, out of which EUR 1.2 billion will boost the Youth Employment Initiative). The reinforcement of the

[5]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.

[6]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.

Flexibility Instrument and the Emergency Aid Reserve will allow more funds to be shifted more easily between budget headings and years, in order for the Union 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 somewhat 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, including 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 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, i.e. EUR 1 324 089 million (2018 prices) of the EU-27, corresponding to 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 a level of 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, to be mainstreamed across relevant policy areas, and 30% as soon as possible and no later than 2027. A mid-term revision of the MFF should be mandatory and proposed by 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 get off to a good start. However the Council is still working (first under the Austrian presidency and now under the Romanian presidency) 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 with no 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. The final draft is expected to be endorsed by the European Council in autumn 2019 and would presumably be taken over as the Council's position with a view to finalising the 'consent procedure'.

Parliament has criticised this approach, as the role given to the European Council is in breach of parliamentary rights, and the spirit and letter of the treaties. Parliament has reiterated that the European Council conclusions can pre-empt neither the outcome of the consent procedure (for the adoption of the MFF regulation) nor legislative negotiations for which Parliament is a fully fledged co-legislator (as is the case for most MFF programmes).

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