

## MFF Q&A

### What is the MFF?

The MFF (multiannual financial framework) is the EU's long-term budget, usually covering a seven-year-period. It sets the maximum level of resources ('ceiling') for each major category ('heading') of EU spending for the period it covers. There have been five multiannual financial frameworks (MFFs) to date. The fifth and current MFF, covering the period 2014-2020, was adopted on 2 December 2013.

### Why seven years?

In the 1980s, the concept of a multiannual financial perspective was developed as an attempt to lessen conflict between the EU institutions, enhance budgetary discipline and improve implementation through better planning, as a longer-term planning horizon and stability are needed because the EU budget is primarily an investment budget.

MEPs however would like to see the duration aligned with the 5-year-legislative cycle of the EU institutions and therefore progressively move towards a 5+5 years period, or in other words, 10 years with a mandatory mid-term revision.

According to Article 312 of the [Treaty on the Functioning of the European Union](#), the multiannual financial framework "shall be established for a period of at least five years."

### How big is the MFF?

The MFF resources for commitments over the entire 2014 to 2020 period amount to €1,087.2 billion in current prices (or €963.5 billion in 2011 prices).

Figure 6 – 2014-2020 multiannual financial framework by heading (€ million, current prices)



Data source: EPRS, based on European Commission.

## **How is the MFF decided?**

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.

## **How is the money spent?**

Through annual budgets, which are approved jointly by the Council and Parliament – the two arms of the EU Budgetary authority. They are on an equal footing for the annual budgetary procedure. The annual EU budget must respect the budgetary ceilings agreed under the multiannual financial framework (MFF) for different programmes and policies, such as those on cohesion, agriculture and external relations. [Flexibility instruments](#) ensure that the EU can react in the event of unexpected needs. Use of financial instruments creates a leverage effect as regards EU spending.

[More information here](#)

## **Where does the money go?**

About 94% of the EU budget funds real activities on the ground in EU countries and beyond. It goes to citizens, regions, cities, farmers, researchers, students, NGOs and businesses. The EU's administrative expenses account for about 6% of the total EU budget. This includes administrative costs for all the institutions (mainly the European Commission, Parliament and EU Council), including the translators and interpreters needed to make information available in all of the EU's official languages.

The EU budget is unique. Unlike national budgets which are used in large part for providing public services and funding social security systems, the EU budget is primarily an investment budget. And unlike national budgets, the EU Budget cannot run a deficit.

More info on where the money goes [can be found here](#).

## **Where does the money come from?**

The EU budget's financing is ensured by three main sources of revenue: traditional own resources (customs duties and sugar levies), an own resource based on a harmonised base of value added tax (VAT), and an own resource linked to Member States' GNIs, which plays the role of balancing the budget. Currently, the bulk of revenue (around 78 % in 2016) is provided by a GNI-based resource and a VAT-based resource, which Member States perceive as national contributions rather than EU own resources.

Figure 5 – EU revenue in 2016



Data source: European Commission, see Annex 2.

More information in [this factsheet](#).

The EP advocates maintaining existing own resources and progressively introducing new ones such as a financial transaction tax, a share of tax from firms in the digital sector or environmental taxes. GNI-based direct contributions from EU member states should be reduced accordingly.

In March 2018, MEPs have adopted their [position on the reform of the EU's system of own resources](#).

### What is at stake?

It is about nothing less than the future of Europe – about whether the EU will do more, the same, or less for its citizens after 2020.

Since the beginning of the 2014-2020 programming period, the EU budget has been confronted with a number of new challenges stemming from growing instability in the EU's neighbourhood, the migration crisis, and security threats as well as a continued significant investment gap in the EU many years after the outbreak of the financial and economic crisis. In addition, there's the intention to fund closer cooperation on defence and, last but not least, the likely budgetary shortfall because of the UK leaving the EU.

A survey shows that Europeans expect solutions from the EU. Most respondents think that Europe should do more to tackle a wide range of issues, from security, to migration and unemployment (source: [Eurobarometer](#)).

The EP wants the EU to boost research programmes and support young people and small firms. The next Multiannual Financial Framework (MFF) should continue to support farming and regional policies, but also finance new priorities such as security, defence or migration and make up for any shortfall following the UK's departure.

In March 2018, MEPs have adopted [their position on the next MFF](#).

## **What are the different positions on the next MFF?**

The European Parliament has adopted two resolutions on 14 March 2018 on the [expenditure](#) and [revenue](#) sides of the next MFF. The press release summarising the EP's positions can be [downloaded here](#).

The EU Commission presented its relevant [legislative proposals on 2 May 2018](#).

Parliament reacted to the Commission's proposal with a [resolution voted on 30 May](#).

In November 2018, Parliament will vote on an [interim report on the MFF and own resources](#), adding explicit figures to their position. Parliament is now ready to negotiate with the Council, but the Council still has no common position.

The adoption of a new MFF Regulation requires Parliament's consent. MEPs have called for discussions to be launched without delay between the three institutions in order to try to reach an agreement before the European elections of May 2019. Delays in the adoption of the next long-term EU budget will result in EU funding not being available when needed, leading to [job losses, students not being able to participate in Erasmus+ or problems for the completion of infrastructure projects](#).

MEPs have also warned that “no agreement can be concluded on the MFF without corresponding headway being made on own resources” – i.e. the revenue side of the EU Budget. Expenditure and revenue should thus be treated as a single package.

## **What are commitment and payment appropriations in the EU budget?**

Given the need to manage multiannual actions, the EU budget distinguishes between commitment appropriations (the cost of all legal obligations contracted during the current financial year, possibly bearing consequences in the following years) and payment appropriations (money actually paid out during the current year, possibly to implement commitments entered into in previous years).

## **Further information**

Factsheet “Multiannual Financial Framework”

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=04A\\_FT\(2017\)N50675](http://www.europarl.europa.eu/thinktank/en/document.html?reference=04A_FT(2017)N50675)

Factsheet “The Union's revenue”

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=04A\\_FT\(2017\)N50625](http://www.europarl.europa.eu/thinktank/en/document.html?reference=04A_FT(2017)N50625)

EP press release: “Long-term EU budget: MEPs lay down funding priorities post-2020 budget” (05/11/2018)

<http://www.europarl.europa.eu/news/en/press-room/20181105IPR18258/long-term-eubudget-meps-lay-down-funding-priorities-post-2020>

EP resolution of 30 May on the 2021-2027 multiannual financial framework and own resources

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-20180226&language=EN&ring=B8-2018-0239>

EP press release: “Funding Europe's future: EU’s post-2020 budget must match policy goals” (14.03.2018)

<http://www.europarl.europa.eu/news/en/press-room/20180309IPR99420/funding-europe-sfuture-eu-s-post-2020-budget-must-match-policy-goals>

EP resolution of 14 March 2018 on the next MFF: Preparing the Parliament’s position on the MFF post-2020

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-20180075&language=EN>

EP resolution of 14 March 2018 on reform of the European Union’s system of own resources

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-20180076&language=EN>

At a glance: “Post-2020 Multiannual Financial Framework”

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_ATA\(2018\)614725](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_ATA(2018)614725)

At a glance: “Reform of the EU's system of own resources”

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_ATA\(2018\)614721](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_ATA(2018)614721)

Infographic “EU budget at a glance”

[http://www.europarl.europa.eu/external/html/budgetataglance/default\\_en.html](http://www.europarl.europa.eu/external/html/budgetataglance/default_en.html)

Commission communication: “A new, modern Multiannual Financial Framework for a

European Union that delivers efficiently on its priorities post-2020” (14.02.2018) <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0098>

“Multi-Annual Financial Framework: debate on political priorities” (Commission webpage with links to a series of factsheets on EU budget reform)

[https://ec.europa.eu/commission/publications/multi-annual-financial-framework\\_en](https://ec.europa.eu/commission/publications/multi-annual-financial-framework_en)

Factsheet “The EU budget: Where does the money go?”

[https://ec.europa.eu/commission/sites/beta-political/files/where-does-the-money-go\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/where-does-the-money-go_en.pdf)

Myths and facts about the EU budget (Commission webpage)

[http://ec.europa.eu/budget/explained/myths/myths\\_en.cfm](http://ec.europa.eu/budget/explained/myths/myths_en.cfm)

Economic and Budgetary Outlook for the European Union 2018

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_STU\(2018\)614655](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2018)614655)

Factsheet “The European Council and the Multiannual Financial Framework”

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_BRI\(2018\)615644](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2018)615644)

EU budget 2016 financial report

[http://ec.europa.eu/budget/library/biblio/publications/2017/financial-report\\_en.pdf](http://ec.europa.eu/budget/library/biblio/publications/2017/financial-report_en.pdf)