

## Mid-term review/revision of the 2014-2020 Multiannual Financial Framework

The EU's Multiannual Financial Framework (MFF) for 2014-2020 lays down maximum annual levels of EU spending in different areas. Before the end of 2016, the European Commission should present the mid-term *review* and, as appropriate, a *revision* of the MFF. During the July plenary session, the European Parliament is scheduled to discuss and vote on the own-initiative report as its input to the process ahead of the Commission's presentation of the review. The list of issues at stake includes both current problems requiring immediate action, and long-standing, contentious aspects of the functioning of the MFF beyond 2020.

### The scope of the mid-term review/revision

As stipulated in the [Regulation](#) laying down the 2014-2020 MFF, the dual requirement known as '[the mid-term review/revision](#)' should allow the newly elected EU institutions to reassess the EU's political priorities and endow the MFF with renewed democratic legitimacy. It should take into account the updated economic situation and macroeconomic projections. According to the [Commission's political declaration](#), particular attention will be paid to the functioning of the global margin for payments in order to ensure that the overall payments ceiling remains available throughout the period, the evolution of the global margin for commitments and the particular requirements of the Horizon 2020 programme. The potential revision, however, should not result in a reduction of the national envelopes. In addition, the mid-term review/revision should be an opportunity to consider the appropriate duration for the subsequent MFF, in order to align it with the political cycles of the EU institutions.

**Procedure.** The Commission must present **the review** before the end of 2016. This compulsory review shall, as appropriate, be accompanied by a proposal for **revision of the MFF Regulation**, which will trigger **the special legislative procedure**. It requires a unanimous vote in the Council and the consent of the Parliament given by a majority of its members. It is important to stress that the Council, the Parliament and the Commission are to cooperate throughout the procedure leading to the adoption of the revision.

### The own-initiative report ahead of the Commission's review/revision

The co-rapporteurs in the Committee on Budgets, Jan Olbrycht (EPP, Poland) and Isabelle Thomas (S&D, France) prepared an [own initiative report](#) on the preparation of the post-electoral revision of the MFF 2014-2020 ahead of the presentation of the Commission's proposal. On 28 June the report was adopted with a large majority in the Committee. The report assesses the first years of functioning of the MFF and concludes that a genuine mid-term revision is absolutely indispensable. It points out that, as a result of a number of key events and challenges (such as the migration and refugee crisis, low level of investment, youth unemployment, internal security issues, crisis in agriculture and environmental challenges, [payments backlog](#)), and new political initiatives (for example the [European Fund for Strategic Investments](#)), the need for funding has dramatically increased in some areas and the MFF has been pushed to its limits. The heaviest pressure has been exerted on heading 3, 'Security and citizenship', and heading 4, 'Global Europe', and resources in these areas have been completely exhausted. In order to accommodate needs that were not present when the MFF was adopted, the budgetary authority has already had to resort to almost all of the margins, 'last-resort' flexibility provisions and special instruments provided for in the MFF Regulation (see box below). Moreover, the report recalls that delivering on the Europe 2020 strategy remains the main



priority to be supported by the EU budget, and stresses that assessing whether the MFF will provide sufficient appropriations to allow for successful implementation of the strategy is also essential.

The report includes a comprehensive set of expectations of the Commission's review/revision as well as proposals on how to improve the functioning of the current MFF and the post-2020 MFF.

**The Parliament's demands for the second half of the MFF concern:**

- increase of the ceiling of sub-heading 1a in order to compensate for the EFSI-related cuts to Horizon 2020 and the Connecting Europe Facility;
- budgetary consequences of the migration and refugee crisis, including upward revision of ceilings in heading 3 'Security and citizenship' and heading 4 'Global Europe';
- continuation of the Youth Employment Initiative until the end of the current MFF, for which at least the same level of appropriation as during the first two years of the MFF is requested, to be provided by a revision of the ceilings of sub-heading 1b, as no margins are available;
- actions to prevent a new payment crisis;
- proposal to keep in the EU budget any surplus resulting from under-implementation of programmes, fines or de-commitments;
- assessment of the financial needs originating from the Paris Agreement on Climate Change;
- removal of different limitations in the flexibility provisions, which hinder the rapid use of available resources and flexibility instruments;
- evaluation of the current implementation system, simplification and performance based budgeting;
- role of financial instruments in the EU budget.

**The Parliament's considerations concerning the post-2020 MFF:**

According to Article 25 of the MFF Regulation, the Commission should present a proposal for a new MFF before 1 January 2018. Therefore, the report stresses that the mid-term review/revision should be an opportunity to debate certain aspects of the future MFF, such as:

- adjustments to the duration of the future MFF to better align it with the political cycle of both Parliament and the Commission (5+5 years with compulsory mid-term revision for programmes requiring long-term programming and 5 years for other elements of the MFF);
- a thorough reform of the own resources system;
- greater emphasis on the unity of the budget and democratic accountability, notably in the context of the setting up of ad hoc instruments, such as the trust funds;
- enhanced flexibility and establishment of a permanent EU crisis reserve, as a new special instrument to be counted over and above the MFF ceilings;
- timely agreement on the post-2020 MFF with respect to the role and prerogatives of the Parliament;
- a shift towards qualified majority voting in the Council for the adoption of the MFF regulation.

**Examples of flexibility provisions and special instruments mobilised so far in the 2014-2020 MFF**

**The Contingency Margin** (Article 13 of the MFF Regulation, [Decision \(EU\) 2015/435](#)) – €3.2 billion mobilised to reduce particularly high [backlog of payments](#) in 2014, especially in sub-heading 1a, sub-heading 1b, heading 2 and heading 4. Although this happened at no additional cost to national budgets (due to unexpected additional revenue for the year 2014), it will have to be offset against the margins under the payment ceilings for 2018, 2019 and 2020.

**The Flexibility Instrument** (Article 11 of the MFF Regulation, [Decision \(EU\) 2015/2248](#)) – €1.53 billion mobilised in 2016, to finance support for measures for managing the refugee crisis, under headings 3 and 4).

**Emergency Aid Reserve** (Article 9 of the MFF regulation) – €150 million to tackle migration crisis mobilised in 2016.

**The Global Margin for Commitments** (Article 14 MFF Regulation, [Amending Letter No 1 to the Draft General Budget 2016](#)) – €543 million allocated to finance the European Fund for Strategic Investments (EFSI).