

The role of the European Council in negotiating the 2021-27 MFF

Continuity and change in the politics of the EU's latest seven-year financial settlement

IN-DEPTH ANALYSIS

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The negotiations on the EU's 2021-2027 multiannual financial framework (MFF) took place in an extremely challenging political and economic context. Brexit and the coronavirus pandemic made successful completion both difficult and crucial for the EU. The European Council played a pivotal role in all five phases of the negotiations, reconfirming its centrality in the EU political system.

To assess the evolution of the role of the European Council, this EPRS paper provides a comparative analysis of the similarities and differences between the European Council's involvement in the 2014-2020 and 2021-2027 MFF negotiations. Additionally, the paper includes a content analysis of EU leaders' Twitter communication on the MFF, focusing in particular on key moments in the European Council's decision-making process.

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Executive summary

As a result of the United Kingdom's withdrawal from the European Union (EU) and the coronavirus pandemic, the political and economic context for the negotiations on the 2021-2027 multiannual financial framework (MFF) was extremely challenging – and quite different to the previous set of MFF negotiations – testing the (limits of the) EU's resilience and solidarity. Despite the challenges faced, the EU institutions finally managed to agree on a €1.8 trillion financial package, the biggest in EU history. To reach this historic result, the MFF negotiations went through five distinct phases, including key moments when the European Council significantly influenced developments.

In 2014, the European Parliament had been highly critical of the process leading to the deal on the 2014-2020 MFF, and in particular, of the degree of involvement of the European Council, which in its view had over-stepped the role assigned to it by the Treaties. When comparing the European Council's influence on the MFF negotiations then and today, can a (d)evolution be observed, or has its role been more of the same, giving the impression of déjà vu?

The analysis shows that the European Council has remained as involved as ever and that its role has become even more central in the negotiations. The European Council got involved very early in trying to influence the policy priorities of the next MFF, as well as the negotiation schedule. Other indications of this involvement are the increased number of meetings in general and on the MFF in particular during the negotiation period, as well as the increased level of detail of the European Council's considerations on the MFF (as measured in length of the conclusions). EU Heads of State or Government not only gave detailed conclusions on the MFF regulation, but also on other related legislative issues, such as the rule of law regulation, which ought to have been dealt with between the European Parliament and Council exclusively.

Thus, the 2021-2027 MFF negotiations not only reconfirmed the European Council's influence on the legislative aspects of the MFF; they also strengthened the European Council's role as arbiter in the legislative process (i.e. by stepping in and moving issues from the Council level to the European Council level). At the request of a Member State (or group of Member States), the European Council can notably get involved in the assessment of another Member State's implementation of the (legislation on the) MFF, in particular with respect to the Recovery and Resilience Facility (RRF) and the rule of law. Consequently, the 2021-2027 MFF negotiations represent a case study of European Council intervention in various parts of the policy cycle: agenda-setting and legislative decision-making, as well as assessing implementation, often exceeding the role envisaged in the Treaties.

Comparing the 2014-2020 and the 2021-2027 MFF negotiations also shows that, besides the new rule of law conditionality, negotiations focused initially on the traditional controversial issues: the size of the EU budget, the balance between policy areas, the existence and size of rebates and the use of new own resources. Following the onset of the pandemic and the decision to link the new recovery fund to the MFF, a second set of sensitive issues was added to the negotiation basket; these include: the size of the recovery fund, the balance between grants and loans, the allocation criteria for funding, the length and modalities of repayment, as well as the governance of the recovery fund.

These new issues, together with Brexit and the absence of the UK in the negotiations, contributed to an adjustment of the traditional Member State alliances on multiannual budgetary issues within the European Council. The assessment of EU leaders' Twitter communications on the MFF illustrates the fragmentation of the two previously relatively firm blocs of net contributors (namely Member States that contribute more to the EU budget than the amount of EU funding they receive) and net payers, and their moves to various new MFF alliances.

EU leaders' Twitter communications on the MFF also illustrate a development in their messaging from one individual European Council meeting to another, as well as throughout 2020 as a whole. On the one hand, the assessment highlights the active use of Twitter by EU Heads of State or Government as a tool to display their participation in the negotiations and as a platform to celebrate national successes in the process. At the same time however, EU leaders did not use the opportunity provided by this type of social media to explain their priorities in the MFF negotiations to their electorate or how they reached the final compromise.

This analysis has also highlighted the European Parliament's critical stance regarding the European Council's involvement throughout the 2021-2027 MFF negotiations. Initially, the Parliament's criticism focused mainly on EU leaders' direct interference in the legislative sphere. In the final phase of the negotiations, Parliament mainly criticised the delays in the timing of adoption by the European Council and its role in the governance of the RRF, as well as commenting on the legal standing of European Council conclusions.

Table of contents

1. Introduction	1
2. The 2021-2027 MFF negotiation process	2
2.1. Main phases of the 2021-2027 MFF negotiation process	2
2.1.1. Phase 1: Defining the priorities	2
2.1.2. Phase 2: Negotiations between Member States (and within institutions)	4
2.1.3. Phase 3: Going back to the drawing board	5
2.1.4. Phase 4: Negotiations between Member States 2.0	6
2.1.5. Phase 5: Negotiations between co-legislators	8
2.2. EU leaders' Twitter communications on the MFF over time	10
3. Comparing the 2014-2020 MFF and 2021-2027 MFF negotiation process	_11
3.1. Political and economic context	11
3.2. European Council involvement in the MFF negotiation process	12
3.2.1. Timing of involvement and length of negotiations in the European Council	14
3.2.2. Number and intensity of European Council meetings	15
3.2.3. European Council de facto role in MFF legislation and its implementation	16
3.2.4. Main issues in the European Council discussions	17
3.2.5. A deal is a deal!?	17
3.2.6. Shifting alliances in the European Council	18
4. Parliament's views on the European Council's involvement in the MFF negotiation process	20
5. Conclusion: Nothing's different, but everything has changed	23
5. References	24

negotiations ______21

1. Introduction

The coronavirus pandemic is the most recent in a series of crises the European Union has had to face over the last decade and its – particularly economic and social – impact, is having a devastating effect on the fabric of European societies. In this context, the successful conclusion of the 2021-2027 MFF negotiations, both between Member States and between EU institutions, is an important achievement. The historic agreement on the new long-term EU budget, which includes the new recovery fund, is an important act of solidary between EU countries and brings tangible deliveries to European citizens, especially those hit hardest by the crisis.

On 22 December 2020, the Council Regulation laying down the multiannual financial framework (MFF) for 2021 to 2027 was published, ending a negotiation process, which lasted for the better part of three years. The 2021-2027 MFF negotiations were the second round of talks on the EU long-term budget to be based on the new special legislative procedure introduced by the Treaty of Lisbon, which lead to a regulation adopted by the Council, after the European Parliament had given its consent. Although the European Council is not expressly mentioned in the Treaties as an institutional actor in the legislative procedure leading to the adoption of the MFF, it has played a considerable role in defining major elements of the final agreement.

Already in the context of the negotiations of the multiannual financial framework for 2014 to 2020, the European Parliament had identified the European Council's detailed involvement in the legislative process as a matter of particular concern. To limit the impact of EU leaders on the legislative process for the 2021-2027 MFF negotiations, Parliament recalled that Article 15(1) TEU prohibits the European Council from exercising legislative functions and called on EU Heads of State or Government to refrain from directly interfering in the legislative sphere, by adopting detailed and purportedly binding conclusions on the MFF. The European Council's involvement is often justified, such as by its former President, Herman Van Rompuy, by referring to its role set out in Article 15(1) TEU, according to which it 'shall provide the Union with the necessary impetus for its development and shall define the general political directions and priorities thereof'. 4

To answer the question 'what has changed since the last time?', this paper provides a comparative analysis of the similarities and differences between the 2014-2020 and 2021-2027 MFF negotiations, notably regarding the role played by the European Council. To complement the research, this paper includes a content analysis of EU leaders' Twitter communication on the MFF, focusing in particular on key moments in the European Council's decision-making process. The analysis also examines the communication between different alliances of EU leaders, highlighting how some of them shifted their position during the negotiations.

The analysis' first section outlines the different phases of the 2021-2027 MFF negotiations, indicating the specific activities of the European Council during those periods. It then examines the Twitter activities of EU leaders at pivotal moments for the European Council discussions on the 2021-2027

¹ Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027.

Resolution of 15 April 2014 on negotiations on the MFF 2014-2020: lessons to be learned and the way forward, European Parliament.

³ Resolution of 10 October 2019 on the 2021-2027 multiannual financial framework and own resources: time to meet citizens' expectations, European Parliament.

Speech by Herman Van Rompuy, President of the European Council, to the European Parliament, 3 July 2012, EUCO 129/12.

MFF. Section two briefly considers the changes in the political and economic context – first and foremost Brexit and the coronavirus pandemic. The analysis then compares the involvement of the European Council in the 2021-2027 MFF negotiations against the role it played in the 2014-2020 MFF talks. Besides an increase in meetings on and attention paid to the MFF, it identifies, within the European Council, a shift in the traditional alliances of Member States on the MFF. When assessing the European Council's influence on the legislative process, the analysis looks at whether elements of 'déjà vu' prevail in the negotiation process, or whether there has been an evolution compared to the last MFF negotiations. The paper finishes with an overview of Parliament's views on the European Council's involvement during the 2021-2027 MFF negotiation process.

2. The 2021-2027 MFF negotiation process

Any (negotiation) process has a start, a series of phases and an end. The involvement of individual actors are not necessarily the same at each of these junctures, instead this often changes over time. This section will outline the involvement of the European Council and other actors throughout the 2021-2027 MFF negotiation process. Additionally, it will point out how EU leaders have communicated on the MFF negotiations via Twitter, by examining their activities on Twitter around main European Council meetings dedicated to that issue.

2.1. Main phases of the 2021-2027 MFF negotiation process

The decision-making process on the 2021-2027 MFF ran from January 2018 to December 2020, and can be divided into five phases (see Figure 1). At all stages, the European Council played a significant role in shaping the MFF negotiations.

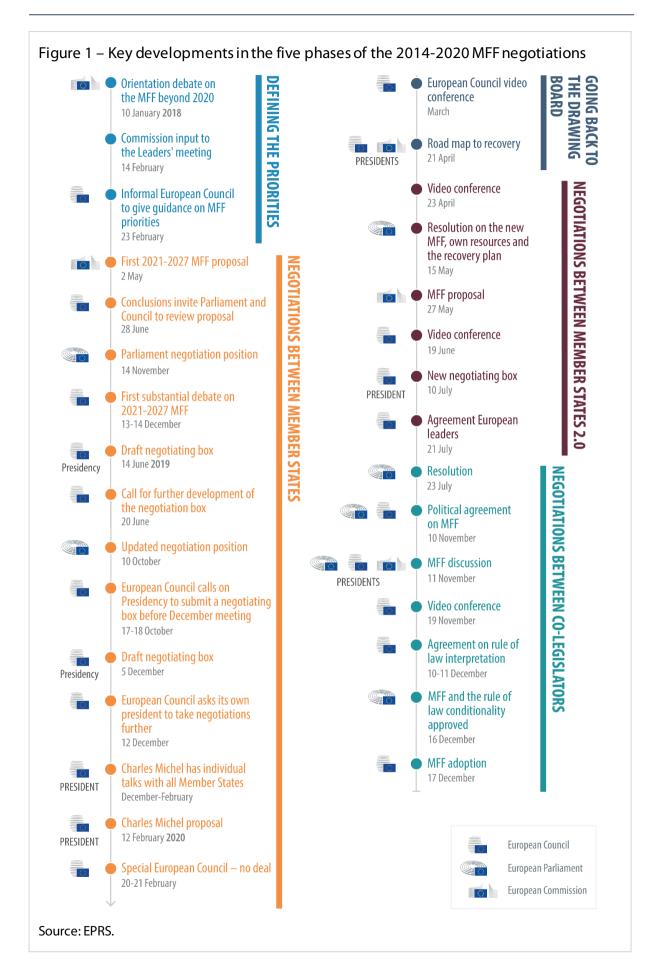
2.1.1. Phase 1: Defining the priorities

Phase 1 began in earnest at the outset of 2018, ending with the publication of the European Commission's proposal for the MFF regulation on 2 May 2018. The European Commission mostly drove this phase, as its role is to come up with the MFF proposal. Nevertheless, an important moment in this phase was the informal European Council of 23 February 2018, which had also the aim, in the words of Donald Tusk, European Council President at the time, for 'the European Commission [to] receive political guidance from the European Council, before coming up with its proposals'. EU leaders discussed at the meeting (i) the political priorities that should be addressed by the next MFF; (ii) the overall level of expenditure in the next MFF; and (iii) the timetable for the MFF negotiations. After the summit, Donald Tusk reported that many Member States were ready to contribute more to the post-2020 budget. On the political priorities for the next MFF, Heads of State or Government agreed that the EU will spend more on stemming illegal migration, on defence and security, as well as on the Erasmus+ programme'. Other political priorities raised at the summit included 'cohesion policy, the common agricultural policy, investments in research and innovation, and pan-European infrastructure'. During this time, Parliament also prepared its position by adopting its 'guidelines' resolution on 14 March 2018.

Drachenberg R., Outcome of the informal meeting of the 27 Heads of State or Government of 23 February 2018, EPRS, European Parliament, 2018.

⁶ <u>Preliminary remarks</u> by Donald Tusk, President of the European Council, following the Informal Meeting of Heads of State or Government, on 23 February 2018, in Brussels.

Resolution of 14 March 2018 The next MFF: Preparing the Parliament's position on the MFF post-2020, European Parliament.



2.1.2. Phase 2: Negotiations between Member States (and within institutions)

Following the publication of the European Commission's proposal for the MFF regulation, phase two consisted of the search for a position within the main EU institutions, Parliament and Council at technical level, and parallel negotiations between Member States. The European Parliament was active during this time, preparing its position on the 2021-2027 MFF, adopted in November 2018, and in regular contacts with the subsequent Council presidencies.⁸

The culmination of the negotiations between Member States took place in the European Council. Following the initial informal discussion in February 2018, the European Council regularly (every six months) touched upon the MFF negotiations at its meetings throughout 2018 and 2019, (see Figure 1), but did not really attempt to reach an agreement. At the December 2019 European Council EU leaders discussed actual figures for the first time, based on a negotiating box proposed by the Finnish Presidency. The discussion itself was more about the procedure for reaching an agreement, and the outcome of the meeting was that the newly instated President of the European Council, Charles Michel, was given a mandate 'to take the negotiations forward with the aim of reaching a final agreement'.

On 25 January 2020, Charles Michel, invited ¹⁰ EU Heads of State or Government to a special meeting of the institution, devoted to the MFF, to be held on 20 February 2020. ¹¹ This was their first meeting dedicated to the 2021-2027 MFF since the publication of the European Commission's proposal in May 2018. With a view to that meeting, Charles Michel held a series of bilateral meetings with most members of the European Council, with the aim of identifying the margin for compromise and the 'red lines' of the different Member States. ¹² He also held informal exchanges of view with the European Parliament's negotiating team for the next MFF and own resources reform: Johan Van Overtveldt (ECR, Belgium), Chair of the Committee on Budgets; Jan Olbrycht (EPP, Poland) and Margarida Marques (S&D, Portugal), MFF co-rapporteurs; José Manuel Fernandes (EPP, Portugal) and Valérie Hayer (Renew, France), Own Resources co-rapporteurs; and Rasmus Andresen (Greens/EFA, Germany); on 17 December 2019 13 and 7 February 2020. ¹⁴

On 14 February 2020, Charles Michel circulated his negotiating box, which in many ways resembled the previous Finnish Presidency proposal (in terms of total size, distribution between policy areas, and maintenance of the rebates). ¹⁵ The initial reactions were critical, with all sides arguing the proposal could 'make an agreement even more difficult'. ¹⁶ At the special European Council meeting of 20-21 February 2020, EU Heads of State or Government found no political agreement on the

⁸ Resolution of 14 November 2018 on the Multiannual Financial Framework 2021-2027 – Parliament's position with a view to an agreement, European Parliament.

Negotiating box with figures, of 5 December 2019, presented by the Finnish Presidency to Member States; 14518/19.

¹⁰ Invitation letter by President Charles Michel to the members of the European Council ahead of their special meeting on 20 February 2020, 43/20, 25 January 2020.

¹¹ Drachenberg R., Outcome of the special European Council, 20-21 February 2020, EPRS, European Parliament, 2020.

Weekly schedule of President Charles Michel, <u>57/20, 31</u> January 2020.

J. M. Fernandes (EPP, Portugal), <u>'Very positive meeting of the Nego Team for the next MFF with @eucopresident Charles Michel and @EP President David Sassoli</u>' European Parliament,17 December 2019.

Long-term EU budget: The Union's ambitions must be matched with sufficient reliable funding, European Parliament, 20200207IPR72102, 7 February 2020.

Draft conclusions of 14 February 2020 on special meeting of the European Council, General Secretariat of the Council

¹⁶ Bayer L., 8 takeaways from the new EU budget proposal, *POLITICO*, 2020.

negotiating box presented by Charles Michel. In a normal situation, the search for a political agreement between EU Heads of State or Government would have continued at a subsequent meeting, but the outbreak of the coronavirus pandemic in the spring of 2020 triggered a re-initiation of the decision-making process on the next EU budget.

2.1.3. Phase 3: Going back to the drawing board

Following the initial coronavirus crisis management activities undertaken by the various EU institutions in the course of March 2020, notably from the side of the European Council, the situation required a return to the drawing board regarding the budgetary needs for the EU in the coming years, and created a new dynamic in the budget negotiations.¹⁷

At their 27 March 2020 video conference, EU leaders asked the Presidents of the Commission and the European Council to 'start working on a roadmap, accompanied by an action plan, to prepare an exit strategy and a comprehensive recovery plan, including unprecedented investment'. As early as 28 March 2020, European Commission President Ursulavon der Leyen, linked the recovery package with the 2021-2027 MFF and announced that the Commission would put forward an updated MFF proposal, including a stimulus package for the recovery.

On 17 April 2020, Parliament stressed, in its resolution on EU coordinated action to combat the Covid-19 pandemic and its consequences, that 'thus far the European Council has been unable to reach consensus on the economic measures needed to tackle the crisis.' ¹⁹ Subsequently, the long-term recovery of the EU and the MFF became coretopics of the European Council video conference of 23 April 2020. ²⁰ EU leaders asked the Commission to submit a proposal for the financing of the EU recovery strategy urgently, possibly combining two instruments: 1) a recovery fund, based on Article 122 TFEU, and 'dedicated to dealing with this unprecedented crisis', and 2) a strengthened 2021-2027 MFF.

On 19 May 2020, Germany and France took an important step to prepare the ground for the subsequent Commission proposal and the discussions in the European Council, by proposing a Recovery Fund of €500 billion, based on grants, and the possibility for the European Commission to finance such recovery support by borrowing on the financial markets. ²¹ On 26 May 2020, the 'frugal' Member States (Austria, Denmark, Sweden and the Netherlands) made a counter proposal for a recovery fund based on loans with clear conditions and criteria attached, as they considered grants to be an inefficient use of money, which could leave the EU budget in a situation of permanent deficit. ²²

Anghel S. and Drachenberg R., <u>The European Council as COVID-19 crisis manager: A comparison with previous crises</u>, EPRS, European Parliament, 2020.

Drachenberg R. with Philips E., <u>Outcome of European Council videoconference of 26 March 2020</u>, EPRS, European Parliament, 2020.

Resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences, European Parliament.

²⁰ Drachenberg R. and Papunen A., <u>Outcome of the European Council video-conference of 23 April 2020</u>, EPRS, European Parliament 2020.

European Union – French-German initiative for the European recovery from the coronavirus crisis, France and Germany, Paris, 18 May 2020

Non-paper EU support for efficient and sustainable COVID-19 recovery, Austria, Denmark, Sweden and the Netherlands, 26 May, 2020.

On 27 May 2020, Commission President Ursula von der Leyen presented the European Commission's revised proposal²³ for the 2021-2027 MFF in the European Parliament plenary session, including the Commission's proposal for an EU recovery fund, called 'Next Generation EU', amounting to €750 billion, of which €500 billion would be in grants and €250 billion in loans.²⁴

2.1.4. Phase 4: Negotiations between Member States 2.0

Now that a new MFF proposal was on the table, with near to an agreement to link the recovery fund as a package to the MFF, negotiations resumed between EU Heads of State or Government. The European Council video conference of 19 June 2020 was the first opportunity for EU leaders to discuss the European Commission's revised proposal for the 2021-2027 MFF, including its 'Next Generation EU' (NGEU) proposal. ²⁵ This video conference was useful as a preparatory step for the later agreement, but never aimed at effectively reaching a decision at that point in time. Long-experienced European Council participants stated that there was no chance of agreeing such a complex agreement via video conference, but that another physical meeting would be required for that purpose. The virtual European Council meetings held throughout 2020 have demonstrated that video conferences are less effective in achieving concrete outcomes, due notably to the limited possibility for 'side-discussions', the lack of interpretation, as well as the reduced confidentiality resulting from the increased number of people 'in the (virtual) room'.

Thus, on 17 July 2020, EU leaders set out for what was to be one of the longest lasting European Council meetings in history. After almost five days of physical meetings, the European Council finally reached a political agreement, encompassing a 2021-2027 MFF amounting to €1 074.3 billion and a NGEU that maintained the symbolic figure of €750 billion proposed by the Commission, thereby totalling €1 824.3 billion. ²⁶ The dramatic events that occurred throughout the 17-21 July 2020 European Council are well documented, ²⁷ and the key issues that were discussed and the results achieved have been outlined in detail. ²⁸ However, an analysis of EU Heads of State or Government Twitter communication on the MFF negotiations at this event (Box 1), completes the picture.

²³ Communication The EU budget powering the recovery plan for Europe, <u>COM(2020) 442</u>, European Commission, May 2020.

²⁴ Europe's moment: Repair and prepare for the next generation, <u>IP/20/940</u>, European Commission, 27 May2020.

Drachenberg R. and Bacian I., Outcome of the European Council video-conference of 19 June 2020, EPRS, European Parliament, 2020.

For a detailed comparison between the various previous proposals and the final result see the MFF infographic, EPRS, European Parliament, 2020.

²⁷ <u>Dans le secret des négociations européennes : la crise du coronavirus</u>, LCP, Assemblée nationale, 2021.

Drachenberg R., Outcome of the special European Council meeting of 17-21 July 2020, EPRS, European Parliament, 2020.

Box 1 – EU leaders' Twitter communications – July 2020 European Council

Before the July 2020 European Council meeting

Of the 428 tweets by EU leaders related to the MFF in July 2020, 39 % were posted before the European Council meeting, mainly in relation to preparatory work by EU leaders with a view to the meeting. Of the tweets posted before the start of the meeting, 59 % reported on meetings between EU Heads of State or Government (either bilateral or with multiple leaders), as well as on their meetings with EU institutional leaders (e.g. Charles Michel and Ursula von der Leyen). This trend was most prominent in the Twitter feed of the Portuguese Prime Minister, who reported on nine meetings over two weeks. Some EU leaders expressed policy preferences in their tweets. For example, some leaders of the 'friends of cohesion' (i.e. group of net beneficiaries – an informal group currently numbering 17 Member States (Bulgaria, Croatia, Cyprus, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain – e.g. Gitanas Nausėda, Jüri Ratas, Klaus Johannis) reiterated their position that cohesion and agriculture should remain priorities in the MFF. On the issue of NGEU, the Finish Prime Minister Sanna Marin repeated her previous position that 'a lower overall level and better balance of grants and loans' was necessary. The Polish and Czech prime ministers stated that they were ready to fight for what was in the best interest of their respective countries. Apart from these specific tweets, most of the discourse reflected a general feeling of urgency and various EU leaders called for cooperation to ensure that an agreement could be reached (e.g. António Costa, Pedro Sanchéz, Nicos Anastasiades). European Council President Charles Michel also tweeted about the urgency of reaching a deal.

During the July 2020 European Council meeting

Of the tweets covering the MFF in July 2020, 21 % were posted in the course of the meeting. However, EU leaders hardly referred to the main negotiation issues on Twitter, with the exception of Mateusz Morawiecki and <u>Xavier Bettel</u>, who tweeted about the rule of law. Mateusz Morawiecki also tweeted <u>about the division between</u> <u>loans and grants in the recovery fund, energy transition</u> and <u>rebates</u>. Furthermore, <u>Gitanas Nausėda</u> presented the Baltic States' view on cohesion and agriculture. EU leaders continued to use Twitter to report on their meetings with other EU leaders or with Charles Michel (40% of the tweets), and to generally report on the progress and atmosphere at the European Council meeting (35% of the tweets), revealing little policy preference. Apparently, they mainly wanted to show their national audiences that they were present and active in the negotiations. This assumption was substantiated by the use of language in the tweets. Overall, EU leaders mainly tweeted in their own language. Only 16% of the tweets in relation to the MFF in July 2020 were in a language other than the official language(s) of the leaders' respective country. EU leaders used other languages than their own, essentially when they reported on bilateral meetings. To illustrate this aspect, António Costa for instance reported on a bilateral meeting with Pedro Sánchez in English, Portuguese and Spanish. Likewise, Mark Rutte reported on a meeting with Angela Merkel in both German and Dutch. Furthermore, some leaders primarily tweeted in English about the MFF. Most prominent in this regard was Jüri Ratas, who only tweeted in English. It is significant that the use of other languages fell after the European Council meeting of July 2020. Before and during the meeting, 26 % and 18 % of the tweets respectively were in a foreign language. After the European Council meeting, this drops to 5%. This indicates that before and during the meeting, leaders were more inclined to engage with a broader audience. Afterwards, they were more eager to share the results achieved with their national audience, in their own language.

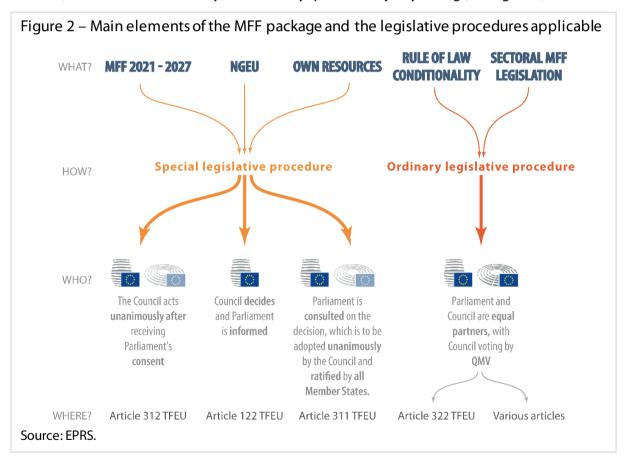
After the July 2020 European Council meeting

The remaining 40% of the MFF related tweets in July 2020 were posted after the European Council meeting. The discourse in these tweets changed quite drastically from the tweets before and during the European Council meeting. The messages conveyed by most EU leaders active on Twitter proclaimed their success in the negotiations (e.g. <u>Mateusz Morawiecki</u>, <u>Giuseppe Conte</u>, <u>Micheál Martin</u>, <u>Andrej Babiš</u>, <u>António Costa</u>, <u>Robert Abela</u>, <u>Emmanuel Macron</u>, <u>Sanna Marin</u>, <u>Pedro Sánchez</u>, <u>Nicos Anastasiades</u>, <u>Andrej Plenković</u>, <u>Gitanas Nausėda</u>, <u>Krišjānis Kariņš</u>, <u>Kyriakos Mitsotakis</u>, <u>Sebastian Kurz</u>). While tweets issued before the agreement was concluded generally encouraged European cooperation, the tweets afterwards mainly celebrated national successes.

The unique feature of Twitter is that it allows EU Heads of State or Government to communicate directly with their audience. As such, Twitter would be the place for EU leaders to explain their priorities in the MFF negotiations to their electorate and how a compromise was reached in July 2020. However, in July, European leaders barely used Twitter in this fashion in relation to the MFF. Instead, they used the tool to display their participation in the negotiations and as a platform to celebrate the national successes in the process. A notable exception is the Finnish Prime Minister, who issued ten tweets with a nuanced account of Finland's position in the MFF negotiations.

2.1.5. Phase 5: Negotiations between co-legislators

Once EU Heads of State or Government had reached a political agreement, the last phase of the 2021-2027 MFF decision-making process began, mainly featuring negotiations between the European Parliament and the Council. In the conclusions of the July 2020 European Council, EU leaders had invited Council 'to take up negotiations with the European Parliament with a view to ensuring finalisation of work on all legal acts in accordance with the relevant legal basis as a matter of exceptional urgency in order to ensure that the EU can respond to the crisis'. ²⁹ The European Council highlighted that these negotiations should be 'on the basis of the levels of commitments in this agreement'. On 5 November 2020, Parliament and Council reached a provisional agreement on rule-of-law budget conditionality, ³⁰ and then, on 10 November 2020, a political agreement on the MFF. ³¹ There were, however, difficulties in the adoption procedure in Council. While the vast majority of Member States agreed with the compromise on the table, on 16 November 2020, Poland and Hungary withheld their consent to the launch of a written procedure to adopt the own resources decision. ³² They chose to block this part of the package, with which they have no specific issue, because it requires unanimity in Council for its adoption, while the subject of their true concern, rule of law conditionality, is decided by qualified majority voting (see Figure 2).



²⁹ Drachenberg R., <u>Outcome of the special European Council meeting of 17-21 July 2020</u>, EPRS, European Parliament, 2020.

Budget conditionality: Council presidency and Parliament's negotiators reach provisional agreement, <u>750/20</u>, 5 November 2020.

Next multiannual financial framework and recovery package: Council presidency reaches political agreement with the European Parliament, 763/20, 10 November 2020.

Bayer L. and Wanat Z., <u>Hungary and Poland block EU coronavirus recovery package</u>, POLITICO, 16 November 2020.

EU leaders intervene again

Despite having reached political agreement, EU leaders had to return to the MFF at two further meetings during this phase. The European Council had agreed in principle on the rule of law conditionality as part of its July 2020 political agreement, but the use of vague language at the time required leaders to set out their views in greater detail to reach consensus. EU leaders briefly addressed the MFF and NGEU recovery package, and notably the rule of law conditionality at their video conference of 19 November 2020. The resident Charles Michel then indicated that he would hold consultations in different formats to find an acceptable solution for all, stressing that nobody under-estimated the seriousness of the situation. The second occasion was at the meeting of 10-11 December 2020, when the European Council agreed on clarifications to the rule-of-law conditionality mechanism, paving the way for the adoption of the MFF and the NGEU recovery fund. The language of the conclusions satisfied all actors involved, allowing Poland and Hungary to lift their veto, and avoided triggering renegotiation of the compromise reached between the colegislators on the proposed regulation on rule of law conditionality.

The main innovation in the conclusions concerns a provision on the timing of the European Commission's implementation of the new rule of law mechanism. The adoption of the Commission's guidelines for the application of the regulation could be delayed, should an 'action for annulment be introduced with regard to the Regulation' before the Court of Justice of the European Union (CJEU).

While claiming 'victory' after this agreement, Hungarian Prime Minister Viktor Orbán said that this debate was not only about the MFF, but also about defining where the centre of power in the EU lies, arguing that 'the European Council conclusions are the strongest possible instrument in the European Union', even strongerthan regulations. ³⁶ Viktor Orbán maintained this view, although the CJEU had already clarified – in a ruling on a previous action brought before it by Poland ³⁷ – that European Council conclusions were not legally binding on the co-legislators. ³⁸

Following the agreement in the European Council, the MFF³⁹ and the rule of law conditionality⁴⁰ were approved by the European Parliament on 16 December 2020, and subsequently adopted by Council on 17 December 2020. The 22 December 2020 publication of the Council Regulation laying down the multiannual financial framework for the years 2021 to 2027 ended a negotiation process that had lasted for the better part of three years, i.e. much longer than the other institutions, and notably the European Parliament, had desired (see Chapter 2, point 2).⁴¹

Drachenberg R. and Bacian I., <u>Outcome of the European Council videoconference of 19 November 2020</u>, EPRS, European Parliament, 2020.

Press Conference by Charles Michel and Ursula von der Leyen after the video conference of the members of the European Council, 19 November 2020.

³⁵ Drachenberg R. <u>Outcome of the meetings of EU leaders on 10 and 11 December 2020</u>, EPRS, European Parliament.

³⁶ <u>Joint statement</u> by Mateusz Morawiecki, Prime Minister of Poland and Viktor Orban, Prime Minister of Hungary, at the European Council, on 10 December 2020, in Brussels.

³⁷ Judgment, <u>Case C-5/16</u>, *Republic of Poland v European Parliament, Council of the EU*, Court of Justice of the EU, 21 June 2018.

³⁸ The European Council itself stresses that conclusions 'are not legally binding. Only legal acts published in the Official Journal are binding' on its website.

³⁹ Resolution of 16 December 2020 laying down the multiannual financial framework for the years 2021 to 2027, European Parliament.

⁴⁰ Resolution of 16 December 2020 on a general regime of conditionality for the protection of the Union budget, European Parliament.

⁴¹ Council Regulation 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027.

2.2. EU leaders' Twitter communications on the MFF over time

As outlined above, the European Council meetings of February, July, November and December 2020 were all pivotal moments in the 2021-2027 MFF negotiations. Previous EPRS research has indicated that Twitter activity of EU Heads of State or Government in relation to EU matters surges right before, during, and immediately following European Council meetings. ⁴² Therefore, the change in content of tweets posted by the national EU leaders on the MFF throughout these months, is significant.

Box 2 – Comparing EU leaders' Twitter communications on the MFF during the February 2020, July 2020, November and December 2020 European Council meetings

February 2020

During February 2020, 138 tweets were posted in relation to the MFF. The main issues discussed were the traditional fault lines in the MFF debate, namely, the total size of the budget and the way the funding should be divided across policies. The tweets show a clear division between the 'friends of cohesion' (e.g. Andrej Babiš, António Costa, Gitanas Nauséda, Jüri Ratas, Klaus Iohannis, Peter Pellegrini), and the 'frugals' (Mark Rutte, Sebastian Kurz, Stefan Löfven, Mette Frederiksen). The former argued for maintaining the share of the common agricultural and cohesion policies in the overall MFF, whilst the latter argued that more money should be dedicated to innovation, climate and migration. In addition, the 'frugals' generally spoke out against raising the total budget above 1 % of EU gross national income, while some of the friends of cohesion protested against the rebates that some of thericher countries receive. Overall, most EU leaders shared their preferred negotiation outcomes on Twitter before or during the negotiations. Interestingly, in February 2020, there was no mention on Twitter of the rule of law conditionality.

July 2020

During July 2020, 428 tweets were posted in relation to the MFF – a significant increase compared to February 2020. This increase is partially explained by the fact that EU leaders succeeded in reaching an agreement in July, whereas in February they had not. The successful outcome of the European Council meeting in July 2020, led to a surge in tweets by EU leaders, celebrating the agreement. In July, 40 % of the MFF related tweets were posted after the meeting, whilst in February this was the case for only 13 % of them. In addition, the discourse changed quite drastically in July 2020. Due to the coronavirus crisis and the link established between the MFF and the recovery fund, the European leaders used 'MFF' and 'recovery fund' interchangeably on Twitter. As a result, EU leaders barely tweeted about the traditional negotiation issues. Instead, their tweets focus on the recovery and issues related to the recovery fund (e.g. the division between grants and loans and how the recovery money should be allocated). It is remarkable that the 'frugals' held a much less united discourse on Twitter in July than they had in February 2020. Whilst in February, they tweeted mainly about the total size of the MFF, in July they do not mention this preference once. Overall, EU leaders were much less outspoken about their preferred negotiation outcome than they had been in February. Furthermore, in both July and February, they used about around one third of their tweets to report on meetings they held with other EU leaders or EU institutional leaders (33 % in July and 34 % in February).

November and December 2020

Although the MFF, and specifically the rule of law mechanism, were discussed during both the November and the December 2020 European Councils, fewer EU leaders tweeted about the MFF or the rule of law mechanism around and during those meetings (in total 139 tweets). Of the 139 tweets, 57 % were posted by the Polish Prime Minister, mainly focused on the rule of law mechanism. It is noteworthy that Andrej Babiš, who was very vocal on Twitter in February and July 2020, posted nothing relating to the MFF in November and December 2020. This is particularly interesting because Czechia is part of the Visegrad 4 alliance. Other EU leaders' tweets reveal no specific policy preferences; most reporting on the fact that the MFF was discussed or that an agreement had been reached (e.g. Angela Merkel, Kyriakos Mitsotakis, Robert Abela).

⁴² Drachenberg R. with Philips E., <u>The Twitter activity of members of the European Council</u>, EPRS, European Parliament 2021.

3. Comparing the 2014-2020 MFF and 2021-2027 MFF negotiation process

No two negotiations are the same. Even if the legal basis and most procedures remained unchanged, (e.g. Commission proposes the MFF, Council and the European Parliament negotiate it subsequently), variations appear due to the different individuals participating as well as the specific circumstances. Therefore, before looking at different aspects of the European Council's involvement, it is important to briefly consider the political and economic context of the 2021-2027 MFF negotiations.

3.1. Political and economic context

The two main factors critical in determining the political and economic context of the 2021-2027 MFF negotiations were Brexit and the coronavirus pandemic.

The planned withdrawal of the United Kingdom (UK) from the EU impacted the MFF negotiations in various ways. From the outset, the withdrawal made, traditionally challenging, MFF discussions even more difficult, as confirmed by the President of the European Council, Charles Michel. 43 Most obviously, it created the problem of leaving an estimated €60-75 billion deficit in the EU budget. The looming UK withdrawal may also have impacted on the timing of the MFF negotiations, due to uncertainty about when exactly Brexit would take place, and therefore, if the MFF should be designed for 27 or 28 Member States. Linked to this was the issue of the contributions to the budget; the Member States that considered they were already paying too much into the MFF, felt that Brexit would exacerbate this phenomenon. Moreover, as the UK had always been an outspoken Member State, taking the lead for net contributors, its exit from the EU created a leadership vacuum for likeminded Member States to fill. As a result, other Member States became more outspoken and alliances on the MFF were reorganised (see section 2.2.6). However, observers argue that the UK withdrawal also had positive consequences for European integration in the budgetary field. 41 lt allowed the development of the necessary consensus for the recovery instrument to be channelled via the MFF and even more remarkably, to authorise the EU to borrow money on the financial markets, which would probably not have been possible had the UK still been a member.

While Brexit was something EU leaders could to some degree anticipate and prepare for during the MFF negotiations, the coronavirus outbreak hit everyone by surprise. This notwithstanding, after a short period of reaction and organisation, the EU responded relatively quickly to the pandemic. However, even though the European Council managed to reach a political agreement on the new MFF proposal within two months of its publication by the Commission, it can be argued that the coronavirus pandemic delayed and complicated the MFF negotiations. First and foremost, the pandemic completely changed the EU economic outlook. Until the outbreak of the pandemic, the economic situation had appeared more favourable than during the previous MFF negotiations; the impact of Covid-19 has been described as the worst recession since the Second World War. In addition to the need to reorganise the financing of the EU budget caused by Brexit, all Member

Press conference by Charles Michel and Ursula von der Leyen after the special European Council, 20-21 February 2020.

^{44 &}lt;u>Charlemagne</u>, The EU's recovery fund is a benefit of Brexit, *The Economist*, 30 May 2020.

⁴⁵ COVID-19 to Plunge Global Economy into Worst Recession since World War II, <u>2020/209/EFI</u>, World Bank, 8 June 2020.

States are facing significantly increased expenses due to the pandemic, whilst at the same time it has drastically cut the revenue side. This situation has put net contributors under even bigger domestic pressure to limit expenditures at EU level. Another consequence of the coronavirus crisis was the change, for sanitary reasons, of format of European Council meetings. Between March and July 2020, no physical meetings were possible between EU leaders, limiting progress on the MFF negotiations – physical meetings being crucial to overcoming deadlocks on sensitive issues. Moreover, the proposal for a recovery fund linked to the MFF not only added new controversial issues to the negotiations (e.g. balance between grants and loans), but also divided the Member States into new groupings, leading – together with Brexit – to a recalibration of 'traditional' alliances on the MFF.

The Covid-19 pandemic rendered already complicated negotiations both more complex and historically important, notably due to the changes in the economic climate. It is worth noting that the two most recent MFF negotiations were conducted in times of economic crisis, leading, however, to quite different outcomes. The impact of the financial crisis was clearly reflected in the 2014-2020 negotiations, thus contributing to the success of positions favouring a smaller MFF. To the contrary, the crisis caused by the Covid-19 pandemic led the EU to agree on the biggest financial package in its history. Furthermore, while not universally favoured, the issuing of common debt at EU level is a historic step in European integration and a clear expression of solidarity.⁴⁶

Finally, as the Commission's 2018 MFF proposal was prepared by the previous Commission, the Covid-19 pandemic provided the Commission appointed in 2019 with the opportunity to adjust the MFF proposal to the von der Leyen Commission's priorities for 2019-2024, as well as reflecting the strategic agenda of the European Council. The final agreement, reached between Parliament and the Council, includes a clear commitment that 30% of the MFF and NGEU, will be spent to fight climate change.⁴⁷

3.2. European Council involvement in the MFF negotiation process

The involvement of the European Council in the MFF negotiation process – and its development from one negotiation period to another – can be assessed according to a number of different elements, such as:

- the timing of the European Council involvement in the discussions and the length of the negotiations;
- the attention the European Council pays to the topic during its meetings;
- the influence on the legislative process;
- the main MFF related topics debated by EU leaders;
- the different Member State coalitions within the European Council.

Before analysing each of these in turn, Table 1 provides an overview of whether and how these elements differ between the 2014-2020 and the 2021-2027 MFF negotiations.

⁴⁶ Valero J., Netherlands, Austria push for tougher conditions for corona-loans, Euractiv, 3 April 2020.

⁴⁷ Questions and answers on the adoption of the EU's long-term budget for 2021-2027, <u>QANDA/20/2465</u>, European Commission, 22 December 2020.

Table 1 – The European Council's role in the 2014-2020 MFF process and the 2021-2027 MFF process

Issue	2014-2020 MFF process	2021-2027 MFF process	Comparison		
Timing of involvement and length of negotiations					
Sequence of involvement	Early first meeting and then returning to the issue late in the process	Early first meeting and then returning to the issue late in the process	Similar		
First discussions in the European Council	8 months before Commission proposal and 38 months before new budget period Only related to size of the budget	3 months before Commission proposal and 34 months before new budget period Addressing numerous priorities	Different		
First discussions in the European Council following Commission proposal	First time mentioned after 6 months First significant debate after 12 months	First time mentioned after 1 month First significant debate after 17 months	Different		
Negotiation length (from Commission proposal to European Council agreement	20 months Around 6 months before start of new MFF period	26 months Around 6 months before start of new MFF period	Different Similar		
European Council meeti	ings and debates				
Number of main summits	22 European Council meetings over 3 years, 9 addressing the MFF, 5 of which were major discussions	28 European Council meetings over 2 years, 14 addressing the MFF, 8 of which were major discussions	Different		
European Council President	Herman Van Rompuy was in the middle of his second mandate at the moment of final adoption	Charles Michel was in the first year of his first term at the moment of final adoption	Different		
Main issues and their resolution					
Main issues in the European Council MFF debate	i) the size of the EU budget, ii) the balance between policy areas, iii) the existence and size of rebates, iv) new own resources.	i) the size of the EU budget, ii) the balance between policy areas, iii) the existence and size of rebates iv) new own resources, and v) the rule of law conditionality, vi) the size of the recovery fund,	Expansion of the traditional topics		

Issue	2014-2020 MFF process	2021-2027 MFF process	Comparison
		vii) the balance between grants and loans, viii) the allocation criteria for funding, ix) the length and modalities of repayment, x) the governance of the recovery fund.	
Attempts to reopen the political agreement	Yes, concerning the UK rebate	Yes, concerning the rule of law mechanism	Similar, but on a different topic
Legislative trespassing			
Length of EUCO conclusions on MFF	48 pages	67 (5 of which are on NGEU)	Similar, but even longer
New roles for the EUCO	No	Yes Specific cases of the implementation of the RRF may be referred to the EUCO under a sort of 'emergency break' procedure. Same applies for the rule of law conditionality	Different
Shiftingalliances			
Division between Member States	Mainly between net MFF contributors and net MFF receivers	'Frugals', Germany and France, southern Europe, eastern Europe	Different

Source: EPRS.

3.2.1. Timing of involvement and length of negotiations in the European Council

As part of both negotiation processes, the European Council held an early meeting ahead of the publication of the European Commission proposal during the pre-negotiation phase, but the scope of the discussion differed. During the negotiations on the 2014-2020 MFF, this involvement was limited to one priority issue, the overall size of the MFF; the European Council only became fully involved after the publication of the Commission's proposal. Conversely, during negotiations for the 2021-2027 MFF, the European Council started discussing its priorities for the next MFF at an early stage, notably in February 2018, three months before the publication of the European Commission proposal. At that meeting, EU Heads of State or Government also discussed the various options for the negotiation process, indicating that they wanted to speed up the negotiations compared with the previous MFF. Although the European Council mentioned the MFF for the first time as early as one month after the publication of the Commission's MFF proposal, EU leaders only held their first meaningful discussion on the new long term budget 17 months after the proposal. In addition, the

European Council also mentioned the MFF relatively often when discussing other policy issues (e.g. migration or innovation). During the 2014-2020 MFF negotiations, the European Council addressed the MFF for the first time six months after the publication of the Commission proposal, and held its first major debate a bit earlier than this time around, 12 months after the publication of the Commission proposal. Altogether, the negotiation time in the European Council – between Commission proposal and political agreement – tooksix months longer for the 2021-2027 MFF than for the previous negotiation, which took 26 months in total. Thus, it took the European Council longer than in all the various scenarios outlined by its former President, Donald Tusk in February 2018, with a view to finding a political agreement on the long-term budget: (1) end of 2019/early 2020, 2) prior to May 2019, or 3) in the course of 2019.

There are a number of possible explanations to the length of the process leading to an agreement in the European Council. Firstly, Brexit was a 'moving target'. Many aspects, such as timing and form of the UK withdrawal were unknown, and the financial consequences unclear. Secondly, Donald Tusk second and final term as European Council President was coming to an end, and it can be assumed that he was not keen on investing a lot of effort into negotiations that would be concluded under his successor. Thirdly, EU leaders spent a lot of meeting time and political capital in 2019 discussing the new package of candidates for the EU high-level positions.

3.2.2. Number and intensity of European Council meetings

Including the orientation debate on 23 February 2018, the European Council addressed the MFF at 14 of its 26 meetings between January 2018 and December 2020.⁴⁹

Of these 14 meetings, 8 were important debates on the MFF, while at 6 others, EU leaders mainly took stock of the developments on this file. In comparison, over a three-year period, the 2014-2020 MFF negotiation process saw 22 European Council meetings, of which only 9 addressed the MFF issue, with 5 of those being significant and/or decisive discussions.

This listing shows that the number of European Council meetings has increased significantly over the last decade, but also that EU leaders have become even more involved and have dedicated more time to the MFF negotiations.

Figure 3 – 2021-2027 MFF process in the Council European between February 2018 and December 2020 **EUROPEAN COUNCIL MEETINGS** MFF AS PART OF THE DEBATE 23 February 2018 major debate 22-23 March 2018 2 May 2018 publication of 28-29 June 2018 the Commission's 17-18 October 2018 proposal 13-14 December 2018 21-22 March 2019 10 April 2019 no mention 9 May 2019 28 May 2019 **→** mention 20-21 June 2019 -30 June - 3 July 2019 17-18 October 2019 -12-13 December 2019 20-21 February 2020 sole topic 10 March 2020 17 March 2020 26 March 2020 -23 April 2020 19 June 2020 17-21 July 2020 -19 August 2020 1-2 October 2020 -15-16 October 2020 29 October 2020 -19 November 2020 -10-11 December 2020 Source: EPRS.

⁴⁸ European Council conclusions 28 June 2018, <u>421/18</u>, 29 June 2018.

⁴⁹ Meetings included are formal and informal European Council meetings as well as video conferences. Not included are Article 50 meetings and Euro summits.

3.2.3. European Council's de facto role in MFF legislation and its implementation

Research ⁵⁰ undertaken by EPRS shows that the European Council is active throughout the whole of the policy-making cycle, and not only in the areas dedicated to the institution by the Treaties, in particular setting the political agenda and giving strategic guidelines. Following the 2014-2020 MFF negotiations, the European Parliament identified the impact of the European Council's involvement in the Parliament's legislative prerogatives as a matter of particular concern. In 2018, Parliament recalled that 'Article 15(1) of the TEU prohibits the European Council from exercising legislative functions' and urged the European Council 'to refrain from adopting detailed and purportedly binding conclusions based on the MFF negotiating box'. However, as in the 2014-2020 negotiations, the European Council significantly influenced the content of the MFF Regulation.

When considering, for example, at the degree of detail in the European Council's political agreement on the MFF, it is apparent that the European Council's involvement did not decline. The European Council's political agreement on the 2014-2020 MFF, included 48 pages of conclusions, detailing the substance of the MFF headings and also including elements formally due to be agreed jointly between Parliament and Council (such as individual programmes, their governance, objectives and sub-envelopes). The European Council's political agreement on the 2021-2027 MFF not only maintained the same level of detail, but the conclusions defining the MFF ceilings and the financial envelopes for all policy sectors for the seven-year MFF period, are even more extensive, amounting to 67 pages. While this could have been expected, considering that the conclusions also dealt with the NGEU, this part in fact only made up 5 pages of the conclusions.

The 2021-2027 MFF negotiations not only reconfirmed the European Council's influence on the legislative aspects of the MFF, but also strengthened its role as 'arbiter' in the legislative process, with issues moving from the Council level to the European Council level for discussion. For the first time, a possibility for the European Council to be involved in the implementation of the MFF related legislation, notably regarding the RRF and the rule of law mechanism, was added to the framework. In both cases, the European Council can, upon a request from a Member State (or group of Member States), intervene in the assessment of a Member States' implementation.

Regarding the RRF, this option was already mentioned in the political agreement where 'if, exceptionally, one or more Member States consider that there are serious deviations from the satisfactory fulfilment of the relevant milestones and targets, they may request the President of the European Council to refer the matter to the next European Council. If the matter was referred to the European Council, no Commission decision concerning the satisfactory fulfilment of the milestones and targets and on the approval of payments will be taken until the next European Council has exhaustively discussed the matter.'

For the rule of law, the Regulation 'on a general regime of conditionality for the protection of the Union budget' states that 'if, exceptionally, the Member State concerned considers that there are serious breaches of those principles, it may request the President of the European Council to refer the matter to the next European Council. In such exceptional circumstances, no decision concerning the measures should be taken until the European Council has discussed the matter.'

Drachenberg R. with S. Schroecker, <u>The European Council's role in the EU policy cycle</u>, EPRS, European Parliament, September 2019.

⁵¹ Anghel S. and Drachenberg R., <u>The European Council under the Lisbon Treaty</u>, EPRS, European Parliament, 2020.

Research has shown that the practice of 'elevation' from the Council to the European Council occurs specifically in cases when individual Member States seek to impose consensus as the decision-making method on a sensitive issue, and thus to circumvent qualified majority voting (QMV) in Council. ⁵² This has previously happened for instance regarding legislation in the field of migration, and the European Parliament has repeatedly expressed its discontent with this practice. ⁵³

In this context, the European Council's involvement in legislative matters can be considered both 'déjà vu' and a further development of the practice.

3.2.4. Main issues in the European Council discussions

The core issues discussed during the 2014-2020 MFF negotiations were mainly i) the size of the EU budget, ii) the balance between policy areas, iii) the existence and size of rebates and iv) the use of new own resources, with the latter being less controversial between Member States and mainly a demand from the European Parliament. The 2021-2027 MFF negotiations included the same traditional controversial issues, as well as v) the new rule of law conditionality. An assessment of the Future of Europe debates in the European Parliament 2018-2019 shows that, regarding the MFF, EU Heads of State or Government participating in the debates focused mainly on 'developing new policies' as well as on 'the size of the budget and (their) contributions to it'. 54

Following the outbreak of the corona pandemic, and the decision to link the new recovery fund to the MFF, a second set of sensitive issues were added to the negotiations, on which diverging views existed: vi) the size of the recovery fund, vii) the balance between grants and loans, viii) the allocation criteria for funding, ix) the length and modalities of repayment and x) the governance of the recovery fund.

3.2.5. A deal is a deal is a deal!?

Previous EPRS research on the European Council and the MFF has shown that even after reaching a political agreement on the 2014-2020 MFF negotiations on 8 February 2013, EU Heads of State or Government had to return to the issue for some intense last-minute discussions, which concerned first and foremost the UK rebate. 55 Similarly, during the 2021-2027 negotiations, EU leaders had to convene again in November and December 2020 to discuss the MFF, notably the rule of law conditionality, although they had already reached a political agreement at the European Council meeting of July 2020. This time, Hungary and Poland blocked progress, creating the need to return to the negotiation table. 56 Following the use of vague language in the political agreement in July, the European Council was forced adopt clarifications to the rule of law conditionality mechanism, thereby unblocking the adoption of the MFF and the Recovery Fund. 57 In both cases, the deal was not reopened but additional language was added in the form of conclusions of the European Council, or annexed to them respectively. The rule of law conditionality example indicates that the European Council's involvement in the MFF negotiations has by no means reduced compared to the

Drachenberg R. and Anghel S., <u>Outlook for the meetings of EU leaders on 10-11 December 2020</u>, EPRS, European Parliament, 2020.

^{53 &}lt;u>Press conference</u> by Antonio Tajani, European Parliament, 18 October 2018.

⁵⁴ Drachenberg R. and Kotanidis S., <u>The Future of Europe debates in the European Parliament, 2018-19</u>, EPRS, European Parliament, 2019.

⁵⁵ Drachenberg R., <u>The European Council and the Multiannual Financial Framework</u>, EPRS, European Parliament, 2018.

⁵⁶ Herszenhorn D. M. and Bayer L., <u>EU in crisis over Hungary and Poland's €1.8T hold-up</u>, *POLITICO*, 16 November 2020.

⁵⁷ European Council conclusion, <u>EUCO 22/20</u>, 11December 2020.

2014-2020 negotiations. The European Council adopted detailed conclusions not only on the MFF itself, but also on other related issues, which could and should have been dealt with between the European Parliament and Council (see above).

3.2.6. Shifting alliances in the European Council

EU budget discussions between the Heads of State or Government have historically been characterised by a cleavage between net contributors and net beneficiaries, which intensified following the EU enlargements of 2004 and 2007. The UK had often taken on the role of spokesperson for the net contributors, whilst France is traditionally a strong supporter of the views of the net beneficiaries. This dividing line was particularly apparent during the negotiations for the 2014-2020 MFF, due notably to the impact of the financial and economic crisis on Member States' national budgets. The breakdown between Member States positions was even more complex in the 2021-2027 negotiations than previously, and some traditional positions shifted.

Germany not only departed from its traditional stance of not borrowing money, but also departed from its traditional alliance with net contributors or 'friends of better spending', establishing itself in the middle ground of the debate, together with France. Following the departure of the UK, this has led to a novel grouping of some of the net contributors, often referred to as the 'frugal Member States, and including Austria, Denmark, Sweden and the Netherlands (see section 1.1.3). All of these countries, as well as Germany, benefit from rebates or 'budget correction mechanisms' to compensate for what is, in their view, 'a budgetary burden which is excessive in relation to [their] relative prosperity'. The 'frugals' main objectives regarding the MFF were to keep the EU's next seven-year budget capped at 1% of the continent's GNI. Following UK withdrawal from the EU, such a cap also implied that the EU budget was to shrink in real terms. They also wanted to focus the budget on more 'modern' policy priorities, such as digital technology, research and innovation, or competitiveness. In relation to the NGEU, the 'frugals' initially rejected the idea of borrowing, and later, requested a reduction of the share of grants in favour of a larger share of loans.

The other traditional alliance on the EU budget is the group of net beneficiaries, or 'friends of cohesion' (see Box 1), which advocates a strong share of cohesion funding and opposed cuts in this area in the EU's 2021-2027 MFF. Stressing the importance of cohesion policy to achieve economic and social convergence among EU Member States, the group first signed a joint declaration⁶¹ in 2012. ⁶² As part of the negotiations on the 2021-2027 MFF, the group issued three joint declarations, on 29 November 2018, ⁶³ 5 November 2019 ⁶⁴ and on 1 February 2020, ⁶⁵ calling mainly for the level of funding for cohesion policy and the common agricultural policy to be maintained at the same level in real terms as under the 2014-2020 MFF.

However, following the outbreak of the coronavirus pandemic and the European Commission proposal on the recovery instrument, this group also experienced a split. This resulted in a very

⁵⁸ See R. Kaiser and H. Prange-Gstöhl, 'The Future of the EU Budget', Sieps, 2017:6.

⁵⁹ Bayer L., <u>The EU's budget tribes explained</u>, *POLITICO*, 4 November 2019.

Dhéret C., Martinovici A. and Zuleeg F., <u>The state of play on the EU Multiannual Financial Framework (MFF)</u> 2014 – 2020 interinstitutional negotiations, European Policy Centre, 2012.

⁶¹ <u>Joint Declaration</u> on the Multiannual Financial Framework 2014 - 2020, Friends of Cohesion, 5 October 2012.

⁶² While Italy is part of this group and attends its meetings, it does not sign the joint declarations.

⁶³ <u>Joint Declaration</u> on the Multiannual Financial Framework 2021 – 2027, Friends of Cohesion, 29 November 2018.

⁶⁴ Joint Declaration on the Multiannual Financial Framework 2021 – 2027, Friends of Cohesion, 5 November 2019.

⁶⁵ Joint Declaration on the Multiannual Financial Framework 2021 – 2027, Friends of Cohesion, 1 February 2020.

outspoken Visegrad alliance taking a different stance to their colleagues from southern Member States, in particularly those hardest hit by the coronavirus pandemic. Box3 illustrates the fragmentation of the different traditional alliances, based on an analysis of EU leaders' Twitter communication on the MFF.

Box 3 – Twitter communication illustrates shifting alliances during the 2021-2027 MFF negotiations

Franco-German cooperation

One of the most prominent shifts in alliances in relation to the MFF was the Franco-German cooperation on the <u>recovery fund</u> proposal. In his <u>tweets</u>, Emmanuel Macron presented the recovery fund as a Franco-German victory. In addition, it seems that in their interaction with other EU leaders, Emmanuel Macron and Angela Merkel often demonstrated their unity. On various occasions, they talked to other EU leaders or to presidents of institutions together (e.g. <u>Charles Michel</u>, <u>Viktor Orbán</u>, <u>Sebastian Kurz</u>, <u>Mateusz Morawiecki</u>), and, after the July 2020 special European Council meeting on the MFF, they gave a joint press conference.

'Friends of cohesion'

In February 2020, before the outbreak of the Covid-19 crisis, the 'friends of cohesion' presented a united front on Twitter. EU leaders reported on a 'friends of cohesion' summit that took place at the beginning of February before the February 2020 special European Council meeting. However, the coronavirus crisis and the subsequent recovery fund negotiations severely fractured this alliance.

South versus East – Allocation of funds

During the negotiations on the recovery fund, one issue was the question of the <u>allocation criteria</u> for recovery funding. As the southern European Member States (Italy and Spain) were hit harder by the virus than eastern European Member States, a split appeared in the 'friends of cohesion' alliance. Spain and Italy (and to a lesser extent, Portugal) reinforced their <u>traditionally strong</u> southern European alliance on Twitter, and presented themselves as '<u>brotherly</u>' countries giving 'a <u>titanic response to the pandemic</u>'. The three leaders also reported on various bilateral meetings between Pedro <u>Sánchez</u>, António <u>Costa</u> and Giuseppe <u>Conte</u>. On the side, the <u>Polish</u> and <u>Czech</u> Prime Ministers considered that they were being unfairly 'punished' because they had done well in fighting the virus. This illustrates the diverging interests between the members of the 'friends of cohesion' alliance.

Visegrad 4

Only three Visegrad 4 (V4) leaders are active on Twitter (Andrej Babiš, Mateusz Morawiecki and Igor Matovič), of which only Andrej Babiš and Mateusz Morawiecki tweeted about the MFF. However, based on their tweets, some important shifts in their alliance were apparent. In February 2020, the leaders did not mention any specific meetings between the V4 countries. Both Andrej Babiš and Mateusz Morawiecki reported on the 'friends of cohesion' meeting, and nothing specifically on V4 coordination. However, in July 2020, the Polish Prime Minister reported on a special meeting ahead of the July European Council, during which they coordinated their position. In November and December 2020, a further fragmentation in the V4 became visible. Mateusz Morawiecki notably tweeted on coordination meetings with Viktor Orbán to discuss their position on the rule of law issue. Although Mateusz Morawiecki stated that they were speaking on behalf of the entire V4, Andrej Babiš did not tweet anything about the rule of law during that period, whilst Czechia and Slovakia were not specifically mentioned in the coordination meetings.

Baltic States

Because of the fragmentation of the 'friends of cohesion' alliance, the Baltic states presented a more united front on Twitter in July 2020 than previously. Jointly, they shared three priorities: maintaining the level of cohesion funding in the MFF, obtaining direct payments for farmers and funding for a Baltic railway network. These priorities did not shift drastically as a result of the Covid-19 crisis. However, whilst in February 2020, the Baltic leaders used the hashtags #Cohesion and #FriendsofCohesion in their tweets, in July, this changed to #Baltics and #balticpower.

'Frugals'

At the beginning of February 2020, the 'frugal four' (the Netherlands, Sweden, Denmark, Austria) all reported on a coordination meeting on 3 February, where they had reaffirmed their position on a smaller and more modem MFF. Following the February meeting, it is striking that the 'frugals' become less visible on Twitter. In July 2020, only Sebastian Kurz actively mentioned the 'frugal' alliance in his tweets. Mette Frederiksen did not tweet anything about the MFF in July, whilst Mark Rutte and Stefan Löfven mainly reported on meetings they had heldd with other EU leaders, outside of their alliance (e.g. with Giuseppe Conte, Pedro Sánchez and Angela Merkel). The 'frugals' differ from the other alliances in that they were also mentioned by other EU leaders in relation to the MFF. To illustrate: the Baltic alliance was only mentioned in the tweets of its own leaders, Gitanas Nausėda, Karinš and Jüri Ratas. Similarly, only Mateusz Morawiecki and Andrej Babiš tweeted about the V4 in connection with the MFF (Sebastian Kurz and Angela Merkel had tweeted about the V4 in the past, but on other subjects. Conversely, Mark Rutte, Sebastian Kurz, Stefan Löfven and Mette Frederiksen tweeted about their alliance, but were also mentioned by Poland, Italy and Latvia, which used the hashtag #frugals.

4. Parliament's views on the European Council's involvement in the MFF negotiation process

The European Parliament was highly critical of the process leading to the deal on the 2014-2020 MFF, and in particular, of the role played by the European Council, which in its view had over-stepped the role assigned to it by the Treaties. To express its views, it adopted a resolution entitled 'MFF negotiations 2014-2020: Lessons to be learned and the way forward'. The main criticisms included the fact that the European Council played a de facto legislative role by predetermining the Council's negotiation position, the lack of transparency in the European Council negotiations, as well as the choice of the decision-making method. On 10 October 2019, with a view to avoiding a repetition of such a situation in the course of the 2021-2027 MFF negotiations, the newly elected European Parliament adopted a resolution reiterating that 'Parliament will not rubber-stamp a fait accompli from the European Council'. It called on the European Council 'to refrain from adopting detailed and purportedly binding conclusions based on the MFF negotiating box, as this would amount to direct interference in the legislative sphere'.

While the European Parliament has not issued any similar 'lessons learned' resolution to date, it is possible to distil relevant elements based on a series of EP resolutions. Table 2 provides an overview of the Parliament's numerous comments on the European Council's involvement in the 2021-2027 MFF negotiations.

⁶⁶ Drachenberg R., The European Council and the Multiannual Financial Framework, EPRS, European Parliament, 2018.

⁶⁷ Resolution of 15 April 2014, European Parliament.

Table 2 – Parliament's views on European Council involvement in the 2021-2027 MFF negotiations

Issue	Text	EP resolution
Role of the European Council	Recalls, in this respect, Parliament's critical stance on the procedure leading to the adoption of the current MFF Regulation and the dominant role that the European Council assumed in this process by deciding irrevocably on a number of elements, including the MFF ceilings and several sectoral policy-related provisions breaching both the spirit and the letter of the treaties; is particularly concerned that the first elements of the MFF 'negotiating boxes' prepared by the Council presidency follow the same logic, and contain issues to be co-decided between the Council and Parliament in the adoption of legislation setting up new EU programmes; intends, therefore, to adjust its own strategy accordingly;	March 2018 November 2018 November 2018
Role of the European Council	Takes note of the Council's methodology for preparing MFF negotiating boxes; is wary of the fact, however, that it is also an attempt to confer a predominant role on the European Council in taking irrevocable decisions on several aspects of the next MFF, as was the case in the process leading to the adoption of the current MFF; stresses that Parliament will not rubber-stamp a fait accompli from the European Council and is prepared to withhold its consent until a satisfactory agreement is reached;	October 2019
Role of the European Council	Recalls that European Council conclusions are political in nature and that Article 15(1) of the TEU prohibits the European Council from exercising legislative functions; therefore calls on the European Council to refrain from adopting detailed and purportedly binding conclusions based on the MFF negotiating box, as this would amount to direct interference in the legislative sphere; counts on the Commission, as an honest broker and guardian of the Treaties, to support Parliament in exerting its legislative prerogatives under both the consent and ordinary legislative procedures;	October 2019 December 2020
Procedure for adoption	Considers that the unanimity requirement for the adoption and revision of the MFF Regulation represents a true impediment to the process; calls on the European Council to activate the passerelle clause provided for in Article 312(2) TFEU, so as to allow the Council to adopt the MFF Regulation by qualified majority;	March 2018 November 2018
Timing of adoption	Regrets that the European Council has already extended the timeframe for reaching a political decision several times; fears that, should the Council and European Council run into further delays without engaging Parliament, there is a clear risk that such complex negotiations cannot be finalised successfully by the end of the current MFF; recalls the serious setbacks for the launch of EU programmes that resulted from the late adoption of the current MFF, as has been experienced in the past; the political debate within the European Council led to the delay of the entire process thus delaying the MFF, the IIA, the	October 2019 December 2020

Issue	Text	EP resolution
	EURI and Rule of Law Regulation negotiations, adoption and implementation	
Timing of adoption	Whereas the European Council adopted its position extremely late, after three inconclusive summits, thus delaying the multiannual financial framework (MFF) negotiations;	July 2020
RRF governance	Opposes the position of the European Council on the governance of the RRF, which moves away from the Community method and endorses an intergovernmental approach; believes that such an approach will only complicate the functioning of the RRF and weaken its legitimacy;	July 2020
Legal standing of European Council conclusions	Recalls that the content of the European Council conclusions on the Regulation on a general regime of conditionality for the protection of the Union budget is superfluous; recalls that the applicability, purpose and scope of the Rule of Law Regulation is clearly defined in the legal text of the said Regulation. Any political declaration of the European Council cannot be deemed to represent an interpretation of legislation as interpretation is vested with the European Court of Justice. Stresses that the conclusions of the European Council cannot be made binding on the Commission in applying legal acts.	December 2020

Source: EPRS.

In the early phases of the negotiations, Parliament's comments on the European Council's involvement in the MFF negotiations focused mainly on the direct interference in the legislative sphere. Following the political agreement by EU leaders, Parliament mainly criticised the delays in the timing for adoption by the European Council and its role in the governance of the RRF. After the adoption of the legislative regulation on the MFF, Parliament commented extensively on the legal standing of European Council conclusions, arguing that European Council conclusions cannot provide an interpretation of legislation and that the conclusions of the European Council cannot be made binding on the Commission in applying legal acts.

5. Conclusion: Nothing's different, but everything has changed

After intense and turbulent negotiations between the Member States and between the EU institutions, the 2021-2027 MFF was finally adopted in December 2020. Just as during the previous MFF negotiations, the European Council played a central role. The analysis shows how the European Council was influential at key moments and in all of the phases of the negotiations. It also illustrates how EU leaders' communication on the MFF via Twitter evolved between the different European Council meetings, as well as over the course of individual meetings. While the influential role of the European Council was similarly significant during the two negotiation processes, the comparative analysis nevertheless identifies differences on individual elements, such as for example on the timing of the European Council's involvement in the negotiation, with EU leaders trying to steer the debate and the priorities early on in the process this time around. Another evolution was the substantially greater level of attention EU leaders paid to the MFF at their meetings.

The 2021-2027 MFF negotiations provide yet another example of how EU Heads of State or Government not only restrict their activity to the parts of the policy cycle envisaged for the European Council in the Treaties, but extend the scope of their involvement and influence to areas where this is expressly prohibited by the Treaties, such as regarding legislation. The very detailed July 2020 conclusions – longer than those adopted for the agreement on the 2014-2020 MFF – testify once again to the European Council's far-reaching involvement in areas of the ordinary legislative procedure.

The 2021-2027 MFF negotiations not only reconfirmed the European Council's influence on the legislative aspects of the MFF, but have also led to a new supervisory role for the European Council regarding the implementation of legislation, notably on the rule of law and the RRF. The European Council's illegitimate involvement in legislative matters against the letter of the Treaties can therefore be considered as both 'déjà vu' and a further evolution.

While the coronavirus pandemic and the resulting recovery fund added new elements to the battleground, the traditional issues – the size of EU budget, the distribution between policy areas and the question of rebates – remain dominant in the debate. Nevertheless, one significant evolution in this context was the newly established link between the EU budget and EU values, which played a decisive role in the final phase of the negotiations.

The research shows that both MFF negotiations required the European Council, even after reaching a political agreement, to return to the table in the final phase of the negotiations. Although in both cases EU leaders did not reopen the political agreement, they still had to address the specific concerns of some Member States by providing additional remarks on aspects of the MFF in European Council conclusions or annexes.

The assessment of EU Heads of State or Government's Twitter activity on the MFF also highlights how, following the UK's departure from the EU, the MFF-related alliances in the European Council have evolved and rearranged themselves.

Throughout the negotiations, Parliament maintained its strong criticism of the European Council's role in the 2021-2027 MFF negotiations. This criticism also evolved over time, covering direct interference in the legislative sphere, delays in the timing for adoption, the governance of the RRF

and the legal standing of European Council conclusions, as on many aspects, the European Council's heavy involvement remained the same or even increased.

As long as most of the MFF is financed directly by the Member States, EU leaders will see the need for personal involvement in the negotiation process in order to defend their national interests. The anticipated Conference on the future of Europe might provide the opportunity to finally reshape the EU budget and the procedure for the adoption of the long-term budget in the context of an indepth reflection on the lessons learned from the most recent crisis. Ideally, this could lead, amongst other things, to the introduction of more new own resources and potentially overcoming the division between net contributors and net beneficiaries, as well as a greater focus on the European added value. Until such time, it can be expected that the European Council's role in the MFF negotiation process will continue to remain substantial, and will require thorough scrutiny.

6. References

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To assess the role of the European Council in the process of the adoption of the multiannual financial framework and its evolution over time, this paper provides a comparative analysis of the similarities and differences between the European Council's involvement in the 2014-2020 and 2021-2027 MFF negotiations. An additional content analysis of EU leaders' Twitter communication on the MFF focuses in particular on key moments in the European Council's decision-making process.

The 2021-2027 MFF negotiations provide yet another example of the ways in which EU leaders not only intervene in the parts of the policy cycle envisaged for the European Council in the Treaties, but extend the scope of their involvement and influence, to areas where this is expressly prohibited by the Treaties, such as regarding legislation. The European Council's involvement in legislative matters against the letter of the Treaties can be considered both as 'déjà vu' and as a further evolution of its involvement.

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