



**2018/0166(APP)**

17.11.2020

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## **DRAFT RECOMMENDATION**

on the draft Council regulation laying down the multiannual financial  
framework for the years 2021 to 2027  
(00000/2020 – C9-0176/2020 – 2018/0166(APP))

Committee on Budgets

Co-rapporteurs: Jan Olbrycht, Margarida Marques

***Symbols for procedures***

- \* Consultation procedure
- \*\*\* Consent procedure
- \*\*\*I Ordinary legislative procedure (first reading)
- \*\*\*II Ordinary legislative procedure (second reading)
- \*\*\*III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the draft Council regulation laying down the multiannual financial framework for the years 2021 to 2027  
(00000/2020 – C9-0176/2020 – 2018/0166(APP))**

**(Special legislative procedure – consent)**

*The European Parliament,*

- having regard to the draft Council regulation (00000/2020),
  - having regard to the request for consent submitted by the Council in accordance with Article 312 of the Treaty on the Functioning of the European Union (TFEU) and Article 106a of the Treaty establishing the European Atomic Energy Community (C9-0176/2020),
  - having regard to its resolution of 14 November 2018 on the multiannual financial framework 2021-2027 – Parliament’s position with a view to an agreement<sup>1</sup>,
  - having regard to its resolution of 10 October 2019 on the 2021-2027 multiannual financial framework and own resources: time to meet citizens' expectations<sup>2</sup>,
  - having regard to its resolution of 23 July 2020 on the conclusions of the extraordinary European Council meeting of 17-21 July 2020<sup>3</sup>,
  - having regard to Rules 92 and 105(1) and (4) of its Rules of Procedure,
  - having regard to the letters from the Committee on the Environment, Public Health and Food Safety and the Committee on Constitutional Affairs,
  - having regard to the recommendation of the Committee on Budgets (A9-0000/2020),
1. Gives its consent to the draft Council regulation laying down the multiannual financial framework for the years 2021 to 2027 as set out in annex to this resolution;
  2. Approves the joint declarations by Parliament, the Council and the Commission annexed to this resolution;
  3. Approves its declaration annexed to this resolution;
  4. Takes note of the Commission declarations annexed to this resolution;
  5. Instructs its President to sign, together with the President of the Council and the President of the Commission, the joint declaration of the European Parliament, the Council and the Commission on budgetary scrutiny of new proposals based on Article

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<sup>1</sup> Texts adopted, P8\_TA(2018)0449.

<sup>2</sup> Texts adopted, P9\_TA(2019)0032.

<sup>3</sup> Texts adopted, P9\_TA(2020)0206.

122 TFEU with potential appreciable implications for the Union budget;

6. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

**ANNEX 1: DRAFT COUNCIL REGULATION LAYING DOWN THE MULTIANNUAL  
FINANCIAL FRAMEWORK FOR THE YEARS 2021-2027**

**COUNCIL REGULATION (EU, Euratom) 2020/...**

**of ...**

**laying down the multiannual financial framework for the years 2021 to 2027**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 312 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

Having regard to the proposal from the European Commission,

Having regard to the consent of the European Parliament<sup>4</sup>,

After transmission of the draft legislative act to the national parliaments,

After consulting the European Economic and Social Committee,

After consulting the Committee of the Regions,

Acting in accordance with a special legislative procedure,

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<sup>4</sup> Consent of... (not yet published in the Official Journal).

Whereas:

- (1) Taking into account the need for an adequate level of predictability for preparing and implementing medium-term investments, the duration of the multiannual financial framework (MFF) should be set at seven years starting on 1 January 2021.
- (2) The economic impact of the COVID-19 crisis requires the Union to provide a long-term financial framework paving the way to a fair and inclusive transition to a green and digital future, supporting the Union's longer-term strategic autonomy and making it resilient to shocks in the future.
- (3) The annual ceilings for commitment appropriations by category of expenditure and the annual ceilings for payment appropriations established by this Regulation are to respect the applicable ceilings for commitments and own resources, which are set in accordance with the Council decision on the system of own resources of the European Union in force that has been adopted in accordance with the third paragraph of Article 311 of the Treaty on the Functioning of the European Union (TFEU) (the 'Own Resources Decision').



- (4) Where it is necessary to mobilise the guarantees given under the general budget of the Union for financial assistance to Member States authorised in accordance with Article 220(1) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council<sup>5</sup> (the 'Financial Regulation'), the necessary amount should be mobilised over and above the ceilings for commitment and payment appropriations of the MFF, while respecting the own resources ceiling.
- (5) The MFF should not take account of budget items financed by assigned revenue within the meaning of the Financial Regulation.
- (6) The MFF should be laid down in 2018 prices. The rules for annual technical adjustments to the MFF to recalculate the ceilings and margins available should also be laid down.

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<sup>5</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

- (7) Rules should be laid down for other situations that might require the MFF to be adjusted. Such adjustments might be related to the delayed adoption of new rules or programmes under shared management, to measures linked to sound economic governance or to measures adopted under the Regulation of the European Parliament and of the Council on a general regime of conditionality for the protection of the Union budget. Rules should also be laid down for a mechanism for programme specific adjustment.
- (8) Specific and maximum possible flexibility should be implemented to allow the Union to fulfil its obligations in compliance with Article 323 TFEU.
- (9) The following thematic special instruments are necessary to allow the Union to react to specified unforeseen circumstances or consequences and thereby allow the budgetary procedure to run smoothly: the European Globalisation Adjustment Fund, the Solidarity and Emergency Aid Reserve and the Brexit Adjustment Reserve. The Solidarity and Emergency Aid Reserve is not aimed at addressing the consequences of market related crises affecting the agricultural production or distribution.

- (10) The following non-thematic special instruments are necessary to further enhance flexibility: the Single Margin Instrument and the Flexibility Instrument. The Single Margin Instrument should enable shifting margins available below the ceilings for commitment and payment appropriations respectively between financial years and, for commitment appropriations, between MFF headings, without exceeding the total amounts of the MFF ceilings for commitment and payment appropriations for the entire period of the MFF. The Flexibility Instrument should allow the financing of specific unforeseen expenditure for a given financial year.
- (11) Specific provision should be made for the possibility to enter commitment and corresponding payment appropriations into the budget over and above the ceilings set out in the MFF where it is necessary to use special instruments.
- (12) It is necessary to provide for a revision of the MFF in the event of revision of the Treaties with budgetary implications, of the reunification of Cyprus or of the enlargement of the Union, as well as in the light of the implementation of the budget.
- (13) This Regulation might also need to be revised in relation to unforeseen circumstances that cannot be dealt with within the limits set out in the MFF. It is therefore necessary to provide for the revision of the MFF in such cases.

- (14) Specific rules are also necessary for dealing with large-scale projects the lifetime of which extends well beyond the period set for the MFF. It is necessary to establish maximum amounts for the contributions from the general budget of the Union to those projects, thereby ensuring that they do not have any impact on other projects financed from that budget.
- (15) It is necessary to lay down general rules on interinstitutional cooperation in the budgetary procedure, while respecting the budgetary powers of the European Parliament, the Council and the Commission (the 'Institutions') as laid down in the Treaties as well as transparency requirements.
- (16) The Commission should present a proposal for a new multiannual financial framework before 1 July 2025, to enable the institutions to adopt it sufficiently in advance of the start of the subsequent multiannual financial framework. In accordance with Article 312(4) TFEU, the ceilings corresponding to the last year of the MFF set out in this Regulation are to continue to apply in the event that a new multiannual financial framework is not adopted before the end of the term of the MFF laid down in this Regulation,

HAS ADOPTED THIS REGULATION:

# Chapter 1

## General provisions

### *Article 1*

#### *Multiannual financial framework*

This Regulation lays down the multiannual financial framework for the years 2021 to 2027 (MFF).

### *Article 2*

#### *Compliance with the ceilings of the MFF*

1. The European Parliament, the Council and the Commission (the 'Institutions') shall, during each budgetary procedure and when implementing the budget for the year concerned, comply with the annual expenditure ceilings set out in Annex I (the 'MFF ceilings').

The sub-ceiling for heading 3 as set out in Annex I is established without prejudice to the flexibility between the two pillars of the Common Agricultural Policy (CAP). The adjusted ceiling to be applied to pillar I of the CAP following the transfers between the European Agricultural Fund for Rural Development and direct payments shall be laid down in the relevant legal act and the MFF shall be adjusted accordingly under the technical adjustment provided for in Article 4 of this Regulation.

2. Where it is necessary to use the resources from the special instruments provided for in Articles 8, 9, 10 and 12, commitment and corresponding payment appropriations shall be entered in the budget over and above the relevant MFF ceilings.

Where it is necessary to use the resources from the Single Margin Instrument as laid down in Article 11, commitment and corresponding payment appropriations shall be entered in the budget over and above the relevant MFF ceilings for a given year.

3. Where it is necessary to mobilise a guarantee for financial assistance to Member States authorised in accordance with Article 220(1) of the Financial Regulation, the necessary amount shall be mobilised over and above the MFF ceilings.

### *Article 3*

#### *Respect of own resources ceiling*

1. For each of the years covered by the MFF, the total appropriations for payments required, after annual adjustment and taking account of any other adjustments and revisions as well as the application of Article 2(2) and (3), shall not be such as to produce a call-in rate for own resources that exceeds the own resources ceiling set out in the Council decision on the system of own resources of the European Union in force that has been adopted in accordance with the third paragraph of Article 311 TFEU (the 'Own Resources Decision').

2. Where necessary, the MFF ceilings shall be lowered in order to ensure compliance with the own resources ceiling set out in the Own Resources Decision.

## **Chapter 2**

### **Adjustments to the MFF**

#### *Article 4*

##### *Technical adjustments*

1. Each year the Commission, acting ahead of the budgetary procedure for year n+1, shall make the following technical adjustments to the MFF:
  - (a) a revaluation, at year n+1 prices, of the ceilings and of the overall figures for appropriations for commitments and appropriations for payments;
  - (b) a calculation of the margin available under the own resources ceiling set out in the Own Resources Decision;
  - (c) a calculation of the amount of commitment appropriations available under the Single Margin Instrument as referred to in point (a) of the first subparagraph of Article 11(1), as well as of the total maximum amount referred to in point (a) of the first subparagraph of Article 11(2);

- (d) a calculation of the adjustment of the ceiling for payment appropriations under the Single Margin Instrument as referred to in point (b) of the first subparagraph of Article 11(1), as well as of the maximum amount referred to in point (b) of the first subparagraph of Article 11(2);
  - (e) a calculation of the additional allocations for specific programmes referred to in Article 5(1) and the result of the annual adjustment referred to in Article 5(2).
2. The Commission shall make the technical adjustments referred to in paragraph 1 on the basis of a fixed deflator of 2 % per year.
  3. The Commission shall communicate the results of the technical adjustments referred to in paragraph 1 and the underlying economic forecasts to the European Parliament and to the Council.
  4. Without prejudice to Articles 6 and 7, no further technical adjustments shall be made in respect of the year concerned, either during the year or as *ex post* corrections during subsequent years.



*Article 5*  
*Programme specific adjustment*

1. An amount equivalent to the revenue from fines imposed under Council Regulations (EC) No 1/2003<sup>6</sup> and (EC) No 139/2004<sup>7</sup> by Union institutions, which is entered in the budget of the year n-1 in accordance with Article 107 of the Financial Regulation, after deduction of the amount for the year n-1 referred to in Article 141(1) of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community<sup>8</sup>, shall be available for an additional allocation of:
  - (a) commitment appropriations for year n+1, starting for the year 2022 and ending in 2027, to the programmes listed in Annex II, in accordance with percentages set out for those programmes in the column 'Distribution key' of the table in Annex II; and
  - (b) payment appropriations for year n+1, starting for the year 2022 and ending in 2027.

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<sup>6</sup> Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty (OJ L 1, 4.1.2003, p. 1).

<sup>7</sup> Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (OJ L 24, 29.1.2004, p. 1)

<sup>8</sup> OJ L 29, 31.1.2020, p. 7.

The total amount of additional allocations for the period 2022 to 2027 for commitment and payment appropriations respectively shall be EUR 11 000 million (in 2018 prices). For each of the years 2022 to 2026, the annual amount of additional allocations for commitment and payment appropriations respectively shall be at least EUR 1 500 million (in 2018 prices) and shall not exceed EUR 2 000 million (in 2018 prices).

The total amount of additional allocations for commitment appropriations for the programmes in the period 2022 to 2027 is set out in the column 'Total additional allocation of commitment appropriations under Article 5 of the table in Annex II.

2. The ceilings for commitment appropriations of the relevant headings for year  $n+1$ , starting for the year 2022 and ending in 2027, shall be adjusted upwards with the amounts corresponding to the additional allocations set out in paragraph 1, in accordance with the percentages set out for those headings in the column 'Distribution key' of the table in Annex II. The ceiling for payment appropriations for year  $n+1$ , starting for the year 2022 and ending in 2027, shall be automatically adjusted upwards with the amounts corresponding to the additional allocations set out in paragraph 1.

### *Article 6*

#### *Adjustments related to measures linked to sound economic governance or to a general regime of conditionality for the protection of the Union budget*

1. In the case of the lifting of a suspension of budgetary commitments concerning Union funds in accordance with the relevant basic acts in the context of measures linked to sound economic governance or to measures adopted under the Regulation of the European Parliament and of the Council on a general regime of conditionality for the protection of the Union budget, the amounts corresponding to the suspended commitments shall be transferred to the following years and the corresponding MFF ceilings shall be adjusted accordingly.
2. The Commission shall communicate the result of any adjustments under paragraph 1 to the European Parliament and to the Council.
3. Suspended commitments of year  $n$  may not be entered in the general budget of the Union beyond year  $n+2$ .

*Article 7*

*Adjustment following new rules or programmes under shared management*

1. In the event of the adoption after 1 January 2021 of new rules or programmes under shared management for the Structural Funds, the Cohesion Fund, the Just Transition Fund, the European Agricultural Fund for Rural Development, the European Maritime and Fisheries Fund, the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument under the Integrated Border Management Fund, the amounts corresponding to the allocations not used in 2021 shall be transferred in equal proportions to each of the years 2022 to 2025, and the corresponding MFF ceilings shall be adjusted accordingly.
2. The Commission shall communicate the result of any adjustments under paragraph 1 to the European Parliament and to the Council.

# **Chapter 3**

## **Special instruments**

### **SECTION 1**

#### **THEMATIC SPECIAL INSTRUMENTS**

##### *Article 8*

##### *European Globalisation Adjustment Fund*

1. The European Globalisation Adjustment Fund, the objectives and scope of which are set out in Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund, shall not exceed a maximum annual amount of EUR 186 million (in 2018 prices).
2. The appropriations for the European Globalisation Adjustment Fund shall be entered in the general budget of the Union as a provision.

*Article 9*  
*Solidarity and Emergency Aid Reserve*

1. The Solidarity and Emergency Aid Reserve may be used to finance:
  - (a) assistance to respond to emergency situations resulting from major disasters that are covered by the European Union Solidarity Fund, the objectives and scope of which are set out in Council Regulation (EC) No 2012/2002<sup>9</sup>; and
  - (b) rapid responses to specific emergency needs within the Union or in third countries following events which could not be foreseen when the budget was established, in particular for emergency responses and support operations following natural disasters not covered by point (a), man-made disasters, humanitarian crises in cases of large-scale public health, veterinary or phytosanitary threats, as well as in situations of particular pressure at the Union's external borders resulting from migratory flows, where circumstances so require.

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<sup>9</sup> Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (OJ L 311, 14.11.2002, p. 3).

2. The Solidarity and Emergency Aid Reserve shall not exceed a maximum annual amount of EUR 1 200 million (in 2018 prices). Any portion of the annual amount not used in year n may be used up to year n+1. The portion of the annual amount stemming from the previous year shall be drawn on first. Any portion of the annual amount from year n which is not used in year n+1 shall lapse.
3. The appropriations for the Solidarity and Emergency Aid Reserve shall be entered in the general budget of the Union as a provision.
4. On 1 October of each year, at least one quarter of the annual amount referred to in paragraph 2 shall remain available in order to cover needs arising until the end of that year.

Without prejudice to the first subparagraph, the following maximum percentages of the overall amount available until 1 September of each year may be mobilised:

- 50% for assistance under point (a) of paragraph 1; the amount resulting from that calculation shall be reduced by any amount mobilised in the previous year in application of paragraph 5;
- 35% for assistance to third countries under point (b) of paragraph 1;
- 15% for assistance within the Union under point (b) of paragraph 1.

Without prejudice to the first subparagraph, as of 1 September of each year, the remaining part of the amount available may be used for any assistance referred to in the second subparagraph to cover needs arising until the end of that year.

5. In exceptional cases and if the remaining financial resources available in the Solidarity and Emergency Aid Reserve are not sufficient to cover the amounts considered necessary for assistance under point (a) of paragraph 1 in the year of occurrence of a disaster as referred to in that point, the Commission may propose that the difference be financed through the annual amounts available for the Solidarity and Emergency Aid Reserve in the following year, up to a maximum amount of EUR 400 million (in 2018 prices).

*Article 10*  
*Brexit Adjustment Reserve*

1. A Brexit Adjustment Reserve shall provide assistance to counter unforeseen and adverse consequences in Member States and sectors that are worst affected by the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, subject to and in accordance with the conditions set out in the relevant instrument.
2. The Brexit Adjustment Reserve shall not exceed an amount of EUR 5 000 million (in 2018 prices).



3. The appropriations for the Brexit Adjustment Reserve shall be entered into the general budget of the Union as a provision.

## **SECTION 2**

### **NON-THEMATIC SPECIAL INSTRUMENTS**

#### *Article 11*

#### *Single Margin Instrument*

1. The Single Margin Instrument shall comprise:
  - (a) as of 2022, amounts corresponding to margins left available below the MFF ceilings for commitment appropriations of year n-1 to be made available over and above the MFF ceilings for commitment appropriations for the years 2022 to 2027;
  - (b) as of 2022, amounts equivalent to the difference between the executed payments and the MFF payment ceiling of year n-1 to adjust upwards the payment ceiling for the years 2022 to 2027; and

- (c) additional amounts which may be made available over and above the MFF ceilings in a given year for commitment or payment appropriations, or both, as the case may be, provided that they are fully offset against the margins in one or more MFF headings for the current or future financial years as regards commitment appropriations and are fully offset against the margins under the payment ceiling for future financial years as regards payment appropriations.

Amounts may only be mobilised under point (c) of the first subparagraph if the amounts available pursuant to points (a) and (b) of that subparagraph, as applicable, are insufficient, and in any case as a last resort to react to unforeseen circumstances.

Recourse to point (c) of the first subparagraph shall not result in exceeding the total amounts of the MFF ceilings for commitment and payment appropriations for the current financial year and future financial years. Any amounts offset in accordance with that point shall therefore not be further mobilised in the context of the MFF.

- 2. Recourse to the Single Margin Instrument under points (a) and (c) of the first subparagraph of paragraph 1 shall not exceed, in any given year, a total of:
  - (a) 0,04 % of the gross national income of the Union in commitment appropriations, as calculated in the annual technical adjustment of the MFF referred to in Article 4;
  - (b) 0,03 % of the gross national income of the Union in payment appropriations, as calculated in the annual technical adjustment of the MFF referred to in Article 4.

Recourse to the Single Margin Instrument in any given year shall be consistent with the own resources ceilings set out in the Own Resources Decision.

3. The annual adjustments referred to in point (b) of the first subparagraph of paragraph 1 shall not exceed the following maximum amounts (in 2018 prices) for the years 2025 to 2027 as compared to the original payment ceiling of the relevant years:
  - 2025 - EUR 8 000 million;
  - 2026 - EUR 13 000 million;
  - 2027 - EUR 15 000 million.

Amounts referred to in the second subparagraph of Article 5(2) shall be in addition to the maximum amounts referred to in the first subparagraph of this paragraph.

Any upward adjustment shall be fully offset by a corresponding reduction of the payment ceiling for year n-1.

4. Amounts referred to in points (a) and (c) of the first subparagraph of paragraph 1 of this Article may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU to allow the financing of expenditure which could not be financed within the limits of the relevant MFF ceilings available in a given year.

The upward adjustment referred to in point (b) of the first subparagraph of paragraph 1 of this Article shall be carried out by the Commission, starting in 2022, as part of the technical adjustment referred to in Article 4.

*Article 12*  
*Flexibility Instrument*

1. The Flexibility Instrument may be used for the financing, for a given financial year, of specific unforeseen expenditure in commitment appropriations and corresponding payment appropriations that cannot be financed within the limits of the ceilings available for one or more other headings. The ceiling for the annual amount available for the Flexibility Instrument shall be EUR 915 million (in 2018 prices).
2. The unused portion of the annual amount of the Flexibility Instrument may be used up to year n+2. Any portion of the annual amount stemming from previous years shall be used first, in order of age. Any portion of the annual amount from year n which is not used by year n+2 shall lapse.

## **Chapter 4**

### **Revision of the MFF**

#### *Article 13*

##### *Revision of the MFF*

1. Without prejudice to Article 3(2) and Articles 14 to 17, in the event of unforeseen circumstances, the MFF may be revised in compliance with the own resources ceiling set out in the Own Resources Decision.
2. As a general rule, any proposal for a revision of the MFF in accordance with paragraph 1 shall be presented and adopted before the start of the budgetary procedure for the year or the first of the years concerned.
3. Any proposal for a revision of the MFF in accordance with paragraph 1 shall examine the scope for reallocating expenditure between the programmes covered by the heading concerned by the revision, with particular reference to any expected underutilisation of appropriations.
4. Any revision of the MFF in accordance with paragraph 1 shall take into account the scope for offsetting any raising of the ceiling for one heading by the lowering of the ceiling for another heading.

5. Any revision of the MFF in accordance with paragraph 1 shall maintain an appropriate relationship between commitment and payment appropriations.

*Article 14*

*Revision related to implementation*

When notifying the European Parliament and the Council of the results of the technical adjustments to the MFF, the Commission shall, where appropriate, submit any proposal to revise the total appropriations for payments which it considers necessary, in the light of implementation, to ensure a sound management of the yearly payment ceilings, and in particular their orderly progression in relation to the appropriations for commitments.

*Article 15*

*Revision in the event of a revision of the Treaties*

In the event of a revision of the Treaties with budgetary implications, the MFF shall be revised accordingly.

*Article 16*

*Revision in the event of enlargement of the Union*

In the event of an accession or accessions to the Union, the MFF shall be revised to take account of the expenditure requirements resulting therefrom.

*Article 17*

*Revision in the event of the reunification of Cyprus*

In the event of the reunification of Cyprus, the MFF shall be revised to take account of the comprehensive settlement of the Cyprus problem and the additional financial needs resulting from the reunification.

## **Chapter 5**

### **Contribution to the financing of large-scale projects**

#### *Article 18*

##### *Contribution to the financing of large-scale projects*

1. A maximum amount of EUR 13 202 million (in 2018 prices) shall be available from the general budget of the Union for the period 2021 to 2027 for large-scale projects under the Regulation of the European Parliament and of the Council establishing the space programme of the Union and the European Union Agency for the Space Programme.
2. A maximum amount of EUR 5 000 million (in 2018 prices) shall be available from the general budget of the Union for the period 2021 to 2027 for the International Thermonuclear Experimental Reactor project (ITER).



## **Chapter 6**

### **Interinstitutional cooperation in the budgetary procedure**

#### *Article 19*

##### *Interinstitutional cooperation in the budgetary procedure*

1. The Institutions shall take measures to facilitate the annual budgetary procedure.
2. The Institutions shall cooperate in good faith throughout the procedure with a view to reconciling their positions. The Institutions shall, at all stages of the procedure, cooperate through appropriate interinstitutional contacts in order to monitor the progress of the work and analyse the degree of convergence.
3. The Institutions shall ensure that their respective calendars of work are coordinated as far as possible, in order to enable proceedings to be conducted in a coherent and convergent way, leading to the final adoption of the general budget of the Union.

4. Trilogues may be held at all stages of the procedure and at different levels of representation, depending on the nature of the expected discussions. Each institution, in accordance with its own rules of procedure, shall designate its participants for each meeting, set out its mandate for the negotiations and inform the other institutions in good time of the arrangements for the meetings.

*Article 20*  
*Unity of the budget*

All expenditure and revenue of the Union and the European Atomic Energy Community shall be included in the general budget of the Union in accordance with Article 7 of the Financial Regulation, including expenditure resulting from any relevant decision taken unanimously by the Council after consulting the European Parliament, in the framework of Article 332 TFEU.

## **Chapter 7**

### **Final provisions**

*Article 21*  
*Transition towards the next multiannual financial framework*

Before 1 July 2025, the Commission shall present a proposal for a new multiannual financial framework.

*Article 22*  
*Entry into force*

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.  
It shall apply from 1 January 2021.

This Regulation shall be binding in its entirety and directly applicable in all Member States.  
Done at Brussels,

*For the Council*  
*The President*

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## ANNEX I

### MULTIANNUAL FINANCIAL FRAMEWORK (EU-27)

(EUR million - 2018 prices)

<b>Commitment appropriations</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total 2021- 2027</b>
<b>1. Single Market, Innovation and Digital</b>	<b>19 712</b>	<b>19 666</b>	<b>19 133</b>	<b>18 633</b>	<b>18 518</b>	<b>18 646</b>	<b>18 473</b>	<b>132 781</b>
<b>2. Cohesion, Resilience and Values</b>	<b>49 741</b>	<b>51 101</b>	<b>52 194</b>	<b>53 954</b>	<b>55 182</b>	<b>56 787</b>	<b>58 809</b>	<b>377 768</b>
2a. Economic, social and territorial cohesion	45 411	45 951	46 493	47 130	47 770	48 414	49 066	330 235
2b. Resilience and values	4 330	5 150	5 701	6 824	7 412	8 373	9 743	47 533
<b>3. Natural Resources and Environment</b>	<b>55 242</b>	<b>52 214</b>	<b>51 489</b>	<b>50 617</b>	<b>49 719</b>	<b>48 932</b>	<b>48 161</b>	<b>356 374</b>
of which: Market related expenditure and direct payments	38 564	38 115	37 604	36 983	36 373	35 772	35 183	258 594

<b>Commitment appropriations</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total 2021- 2027</b>
<b>4. Migration and Border Management</b>	<b>2 324</b>	<b>2 811</b>	<b>3 164</b>	<b>3 282</b>	<b>3 672</b>	<b>3 682</b>	<b>3 736</b>	<b>22 671</b>
<b>5. Security and Defence</b>	<b>1 700</b>	<b>1 725</b>	<b>1 737</b>	<b>1 754</b>	<b>1 928</b>	<b>2 078</b>	<b>2 263</b>	<b>13 185</b>
<b>6. Neighbourhood and the World</b>	<b>15 309</b>	<b>15 522</b>	<b>14 789</b>	<b>14 056</b>	<b>13 323</b>	<b>12 592</b>	<b>12 828</b>	<b>98 419</b>
<b>7. European Public Administration</b>	<b>10 021</b>	<b>10 215</b>	<b>10 342</b>	<b>10 454</b>	<b>10 554</b>	<b>10 673</b>	<b>10 843</b>	<b>73 102</b>
of which: Administrative expenditure of the institutions	7 742	7 878	7 945	7 997	8 025	8 077	8 188	55 852
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<b>154 049</b>	<b>153 254</b>	<b>152 848</b>	<b>152 750</b>	<b>152 896</b>	<b>153 390</b>	<b>155 113</b>	<b>1 074 300</b>
<b>TOTAL PAYMENT APPROPRIATIONS</b>	<b>156 557</b>	<b>154 822</b>	<b>149 936</b>	<b>149 936</b>	<b>149 936</b>	<b>149 936</b>	<b>149 936</b>	<b>1 061 058</b>

## ANNEX II

### PROGRAMME-SPECIFIC ADJUSTMENT – LIST OF PROGRAMMES, DISTRIBUTION KEY AND TOTAL ADDITIONAL ALLOCATION OF COMMITMENT APPROPRIATIONS

in EUR million, 2018 prices

	Distribution key	Total additional allocation of commitment appropriations under Article 5
<b>1. Single Market, Innovation and Digital</b>	<b>36,36%</b>	<b>4 000</b>
Horizon Europe	27,27%	3 000
InvestEU Fund	9,09%	1 000
<b>2b. Resilience and Values</b>	<b>54,55%</b>	<b>6 000</b>
EU4Health	26,37%	2 900
Erasmus+	15,46%	1 700
Creative Europe	5,45%	600
Rights and Values	7,27%	800
<b>4. Migration and Border Management</b>	<b>9,09%</b>	<b>1 000</b>
Integrated Border Management Fund	9,09%	1 000
<b>TOTAL</b>	<b>100,00%</b>	<b>11 000</b>

## ANNEX 2: DECLARATIONS

### **1. Envelopes of priority programmes, costs of NGEU and flexibility**

#### **Joint declaration by the European Parliament, Council and Commission on the reinforcement of specific programmes and adaptation of basic acts**

Without prejudice to the powers of the legislative and budgetary authority, the European Parliament, the Council and the Commission agree to increase by 2,5 billion Euros in 2018 prices the financial envelopes in the basic acts or the financial programming, as appropriate, of those programmes that are identified by the European Parliament. This will be achieved through a corresponding reduction of the margins available under the MFF ceilings, without prejudice to the possible use of the Flexibility instrument in 2021.

Without prejudice to the legislative powers of the institutions, the European Parliament, the Council and the Commission agree to insert in the basic acts of programmes listed in Annex II of the MFF Regulation a provision on the increase of the financial envelopes by the amounts specified therein. For programmes establishing budgetary guarantees, the additional amount will be reflected in the additional level of the guarantees provided.

#### **Declaration by the European Parliament on the reinforcement of specific programmes from unallocated margins**

The amount of 2,5 billion Euros in 2018 prices referred to in the joint declaration by the European Parliament, Council and Commission on the reinforcement of specific programmes and adaptation of basic acts will be allocated as follows:

- Horizon Europe: +0,5 billion Euros
- Erasmus+: +0,5 billion Euros, of which 165 million Euros in 2021
- EU4Health: +0,5 billion Euros, of which 70 million Euros in 2021
- European Border and Coast Guard Agency: +0,5 billion Euros
- Humanitarian Aid: +0,5 billion Euros

## **Joint declaration by the European Parliament, Council and Commission on the use of reflows from the ACP Investment Facility to the benefit of the Neighbourhood, Development and International Cooperation Instrument**

The Council agrees that an amount of up to EUR 1 billion (in 2018 prices) stemming from the reflows under the ACP Investment Facility for operations under the 9th, 10th, and 11th European Development Funds will be used for the benefit of the Neighbourhood, Development and International Cooperation Instrument in the period of 2021-2027. The three Institutions agree that the Neighbourhood, Development and International Cooperation Instrument should allow for the reception of those funds.

## **Joint declaration by the European Parliament, the Council and the Commission on the re-use of decommitted funds in relation to the research programme**

Without prejudice to their institutional prerogatives, the European Parliament, the Council and the Commission agree to make available again to the benefit of the research programme commitment appropriations, corresponding to the amount up to EUR 0.5 billion (in 2018 prices) in the period 2021-2027 of decommitments, which results from total or partial non-implementation of projects belonging to that programme or its predecessor as provided for in Article 15(3) of the Financial Regulation.

## **Joint declaration by the European Parliament, Council and Commission on the treatment of NGEU interest costs and repayments in the 2021-2027 MFF**

The three Institutions agree that expenditures covering the financing costs of Next Generation EU shall aim at not reducing EU programmes and funds.

The three Institutions agree that the treatment of NGEU interest costs and repayments in the 2021-2027 MFF, currently forecast at EUR 12.9 billion for the seven years, is without prejudice to how this matter will be addressed in future MFFs from 2028 onwards.

The three Institutions agree to work towards introducing sufficient new own resources with a view to covering an amount corresponding to the expected expenditure related to repayment and interest costs.



## **2. Own resources**

### **Commission Declaration on establishing an Own Resource based on a digital levy**

Taking into account the developments at international level, the Commission will speed up its work on the submission of the necessary proposals for the establishment of a digital levy within the Union and will make a proposal for a basic act as soon as possible and at latest by June 2021. It will on this basis propose that revenues stemming from the digital levy will become an own resource by January 2023.

### **Commission Declaration on establishing a Financial Transaction Tax based Own Resource**

Discussions on the Financial Transaction Tax under enhanced cooperation are ongoing with a view of their finalisation by the end of 2022. Should there be an agreement on this Financial Transaction Tax, the Commission will make a proposal in order to transfer revenues from this Financial Transaction Tax to the EU budget as an own resource.

If there is no agreement by end of 2022, the Commission will, based on impact assessments, propose a new own resource, based on a new Financial Transaction Tax. The Commission shall endeavour to make these proposals by June 2024 in view of its introduction by 1 January 2026.

### **3. Role of the budgetary authority**

#### **Joint declaration of the European Parliament, the Council and the Commission on budgetary scrutiny of new proposals based on Article 122 TFEU with potential appreciable implications for the Union budget**

Whereas:

- (1) The European Parliament, the Council and the Commission (“the three Institutions”) acknowledge that Article 122 TFEU constitutes a legal basis for adopting measures to address specific crisis situations that may entail potential budgetary implications, which are capable of impacting the development of Union expenditure within the limits of its own resources.
- (2) In the light of their budgetary powers under the Treaties, it is appropriate that the two branches of the budgetary authority deliberate on the budgetary implications of such envisaged acts where those implications are likely to be appreciable. To this effect, the Commission should provide all relevant information necessary to assist the European Parliament and the Council in their deliberations.

HAVE AGREED AS FOLLOWS:

1. This declaration sets out arrangements for a procedure of budgetary scrutiny (hereafter “the procedure”) between the European Parliament and the Council with the active assistance of the Commission.
2. This procedure may be followed in respect of a Commission proposal for a Council act based on Article 122 TFEU with potential appreciable implications for the Union budget.
3. The Commission will accompany any such proposal by an assessment of the budgetary implications of the proposed legal act and will indicate whether the act in question may, in its view, have appreciable implications for the Union budget. On that basis, the European Parliament and the Council may request that the procedure be initiated.
4. The procedure will take place in a Joint Committee consisting of representatives of the European Parliament and of the Council at the appropriate level. The Commission will participate in the work of the Joint Committee.
5. Without prejudice to the powers of the Council under Article 122 TFEU, the European Parliament and the Council will engage in a constructive dialogue with a view to seeking a joint understanding of the budgetary implications of the envisaged legal act having due regard to the urgency of the matter.
6. The procedure should take place during a period not exceeding two months, unless the act in question has to be adopted before a specific date or, if the urgency of the matter so requires, within a shorter time limit fixed by the Council.

## **Joint declaration of the European Parliament, the Council and the Commission on reassessing the external assigned revenue and borrowing and lending provisions in the Financial Regulation**

Against the background of the NGEU, the European Parliament, the Council and the Commission agree that in the framework of the next revision of the Financial Regulation, the following issues will be assessed and as appropriate revised:

- the provisions on the external assigned revenue , in particular as referred to in Article 21(5) of the Financial Regulation;
- the provisions on reporting on borrowing and lending operations.

The three institutions acknowledge that the existing rules on audits and discharge procedure apply to assigned revenue.

#### **4. Horizontal issues – Climate, biodiversity, equality between men and women and sustainable development goals**

##### **Commission declaration on the climate tracking methodology and the involvement of the European Parliament and Council**

The Commission will ensure that the climate tracking methodology is accessible, transparent, and publicly available. The Commission will exchange views on the climate tracking methodology with the European Parliament and Council. Transparency and exchange of information with Parliament and Council on the progress towards reaching the climate objectives will be a key principle of the climate tracking.

##### **Commission declaration regarding climate contributions per programme**

Without prejudice to the legislative powers of the European Parliament and the Council in relation to the relevant sectoral basic acts, the climate contributions for 2021-2027 in view of achieving an overall target of at least 30% of the total amount of Union budget and NGEU expenditures, are indicated for relevant programmes and Funds as follows:

<b><u>Programmes</u></b>	<b><u>Expected minimum contribution</u></b>
<b><u>Horizon Europe</u></b>	<b><u>35%</u></b>
<b><u>ITER</u></b>	<b><u>100%</u></b>
<b><u>InvestEU Fund</u></b>	<b><u>30%</u></b>
<b><u>Connecting Europe Facility</u></b>	<b><u>60%</u></b>
<b><u>ERDF</u></b>	<b><u>30%</u></b>
<b><u>Cohesion Fund</u></b>	<b><u>37%</u></b>
<b><u>REACT EU</u></b>	<b><u>25%</u></b>
<b><u>Recovery and Resilience Facility</u></b>	<b><u>37%</u></b>
<b><u>CAP 2021 - 2022</u></b>	<b><u>26%</u></b>
<b><u>CAP 2023 - 2027</u></b>	<b><u>40%</u></b>
<b><u>EMFF</u></b>	<b><u>30%</u></b>
<b><u>LIFE</u></b>	<b><u>61%</u></b>
<b><u>Just Transition Fund</u></b>	<b><u>100%</u></b>
<b><u>NDICI</u></b>	<b><u>25%</u></b>
<b><u>OCT</u></b>	<b><u>25%</u></b>
<b><u>Pre-Accession Assistance</u></b>	<b><u>16%</u></b>

The Commission will use these climate contributions as a reference point to assess deviations and to propose measures in case of insufficient progress.

## **Commission declaration on the biodiversity tracking methodology and the involvement of the European Parliament and Council**

The Commission will ensure that the biodiversity tracking methodology is accessible, transparent, and publicly available. After the completion of a study on the methodology recently launched by the Commission, the Commission will exchange views on the methodology with the European Parliament and Council. Transparency and exchange of information with Parliament and Council on the progress towards reaching the biodiversity related objectives will be key for tracking.

### **5. Other declarations**

#### **Commission declaration on a mid-term review / revision**

By 1 January 2024, the Commission will present a review of the functioning of the MFF. The review may, as appropriate, be accompanied by relevant proposals for the revision of the MFF Regulation in accordance with the procedures set out in the TFEU.

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## EXPLANATORY STATEMENT

On 10 November 2020, Parliament's negotiating team on the multiannual financial framework (MFF) and own resources (OR)<sup>1</sup> reached an overall political compromise with the Council Presidency, and with the Commission for the relevant parts.

As a result of this compromise, the Council is referring to Parliament a **draft Council Regulation laying down the multiannual financial framework for the years 2021 to 2027**, that the MFF Co-Rapporteurs recommend consenting to.

The political compromise covers not only the 2021-2027 MFF, but also the future system of own resources and flanking measures for the new EU Recovery Instrument (Next Generation EU). In addition to the MFF Regulation, the compromise is reflected in:

- an **Interinstitutional agreement (IIA)** between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap for the introduction of new own resources (submitted to Parliament's approval separately from the present recommendation);
- a set of **joint declarations** by the European Parliament, the Council and the Commission (annexed to the present recommendation).

Prior to this political compromise, Parliament already:

- cleared the way for a swift adoption and ratification of the **Own Resources Decision** and, thereby, the launch of the EU's Recovery Instrument by providing, on 16 September 2020, its compulsory legislative opinion to the new draft Council decision on the system of own resources of the European Union ('Own Resources decision'), which authorises the borrowing of funds under the Next Generation EU scheme;
- reached, on 5 November 2020, a provisional agreement on a **general regime of conditionality for the protection of the Union budget** (endorsed by the Committees on Budgets and on Budgetary Control on 12 November 2020 and by the Coreper on 16 November 2020, and submitted to Parliament's adoption under the ordinary legislative procedure).

Subject to its approval, this political compromise facilitates the conclusion - but does not prejudge the outcome - of the ongoing **sectoral negotiations** on the new generation of MFF expenditure programmes that are adopted under the ordinary legislative procedure.

### **1. Results of negotiations between the European Parliament and the Council**

The political compromise sets the **overall ceiling** for the 2021-2027 MFF at EUR 1 074.3 billion in 2018 prices, to be progressively increased to EUR 1 085,3 billion.<sup>2</sup> The MFF will be supplemented by a **Recovery Instrument** of EUR 750 billion (including EUR 390 billion of

<sup>1</sup> Johan Van Overtveldt, Chair; Jan Olbrycht and Margarida Marques, MFF Co-Rapporteurs; Jose Manuel Fernandes and Valérie Hayer, Own Resources Co-Rapporteurs; Rasmus Andresen, Member.

<sup>2</sup> The final 2021-2027 ceilings (notwithstanding future revisions) will therefore exceed in real terms the 2014-2020 overall ceiling, which was estimated by the Commission at EUR 1 083,3 billion in 2018 prices after deducting UK expenditure and adding the relevant amounts from the European Development Fund.

grants or direct budget expenditure). The financing of the new MFF and Recovery Instrument/NGEU is to be made possible by a new Own Resources decision which authorises the Commission to start with the borrowing operations to finance the Recovery Instrument/NGEU and temporarily increases by a further 0.6 percentage points the Own Resources ceiling for payments to cover the new borrowing capacity of the Union.

Despite delays on the part of the Council/European Council and sub-optimal interinstitutional cooperation, the European Parliament actively contributed to the package endorsed by Heads of States and Governments at the summit of 17-21 July 2020 on the basis of Commission proposals of May 2018 and May 2020. Parliament welcomed the historic creation of the Recovery Instrument/NGEU. It however regretted unjustified cuts to future-oriented programmes, insufficient commitment towards the creation of new own resources (to cover at least the costs of the recovery debt), insufficient involvement of the EP in the decision making on and governance of the Recovery Instrument, as well as a weakened rule of law mechanism.

During strenuous negotiations between Parliament, Council and the Commission from 27 August to 10 November 2020, Parliament's negotiators **secured significant improvements** on top of the European Council conclusions of 21 July 2020. A provisional agreement was also found on 5 November on the rule of law mechanism.

Positive steps - whether already reflected in the Council's position of July 2020 or achieved afterwards - are summed up in the following table.

EP key requests	Results
<p><b>MFF figures: Reinforcements of flagship programmes</b></p>	<p><u>Positive steps in Council's position:</u> The overall level of the MFF is set at <b>EUR 1 074,3 billion</b> in 2018 prices, i.e. below Parliament's initial requests. However, when counting the significant grant component of the Recovery Instrument/NGEU (of which Parliament was a vocal proponent both before and after the Commission's recovery proposals), it is increased to an unprecedented level of <b>EUR 1 464,3 billion</b>.</p> <p>In conjunction with NGEU (and boosted spending via the Recovery and Resilience Facility), the MFF secures overall levels of funding for agriculture and cohesion of a size that is comparable to 2014-2020, as well as modest increases for most other existing and new programmes compared to 2014-2020. In the course of the Council proceedings, Parliament notably obtained the creation of the Just Transition Fund.</p> <p>Yet, the European Council significantly cut centrally managed programmes as well as part of the NGEU grants that were proposed to top-up EU flagship programmes (next to the Recovery and Resilience Facility) in order to address the economic effects of the crisis. Consequently, several of those programmes were downsized to a level that was lower than in the original Commission proposal, or the intended reinforcements were discarded altogether.</p> <p><u>Improvements to Council's position:</u> As part of the political compromise of 10 November 2020, Parliament obtains <b>reinforcements of EUR 16 billion</b> (2018 prices) to reinforce the</p>

endowment of expenditure programmes and flexibility mechanisms on top of the European Council figures. This is the first time that the Parliament manages to secure increases to ceilings and financial allocations of EU programmes, as proposed by the European Council.

**EUR 15 billion of top-ups go to flagship programmes/areas:**

- Horizon Europe: +4 billion;
- InvestEU: +1 billion;
- Erasmus+: + 2.2 billion;
- EU4Health: + 3.4 billion;
- Creative Europe: + 0.6 billion;
- Rights and Values programme: + 0.8 billion;
- Border Management Fund & Border and Coast Guards: + 1.5 billion;
- NDICI: + 1 billion;
- Humanitarian aid: +0.5 billion.

For future unforeseen needs, **a further EUR 1 billion goes to the Flexibility instrument** (whose rules of mobilisation, moreover, have been eased compared to Council's position). Parliament has also protected and increased the external strand of the new Solidarity and Emergency Aid Reserve.

The main source for the increases (EUR 11 billion) will come from a new mechanism linked to the proceeds from fines collected by the Union and will result in automatic additional allocations to the concerned programmes in 2022-2027. This mechanism will also result in a **genuine increase of the MFF ceilings** on a yearly basis. The seven-year MFF overall ceiling will therefore incrementally reach EUR 1 085,3 billion in 2018 prices, i.e. EUR 2 billion higher in real terms than the equivalent MFF 2014-2020 ceiling (EUR 1 083,3 billion in 2018 prices without UK, with EDF).

Further top-ups (EUR 2.5 billion) come from margins left unallocated within the ceilings set by the European Council. EUR 1 billion comes from reflows from the ACP Investment Facility (European Development Fund) to the benefit of NDICI. EUR 0.5 bn come from decommitted appropriations in the area of research to the benefit of Horizon Europe (Article 15(3) of the Financial Regulation).

Costs of repayments and interests of recovery debt are included in the MFF ceilings for the 2021-2027 period, but Parliament has secured an agreement that this treatment is without prejudice to how this matter will be addressed in future MFFs from 2028 onwards, and that such expenditures shall aim at not reducing EU programmes and funds.

Commission takes a unilateral commitment to present a review of the functioning of the MFF by 1 January 2024, and, as appropriate, proposals for a revision.



<p><b>Introduction of new own resources</b></p>	<p><u>Positive steps in Council’s position:</u> The new Own Resources Decision (ORD) will create a <b>borrowing capacity</b> for the Union by providing for a <b>significant increase of the Own Resources ceiling</b>.</p> <p>At the strong request of Parliament, and in line with its long-standing position, a new own resource is formally endorsed by the European Council in the form of the new contribution based on the weight of non-recycled plastic packaging waste (<b>‘plastic contribution’</b>), thus breaking a stalemate of more than 30 years. This constitutes a first step in fulfilling Parliament’s request for the introduction of a basket of new own resources. Moreover, a <b>simplified VAT-based own resource</b> is approved, which is expected to significantly improve the operation of the system. Parliament regrets, however, the continuation and increase of rebates and retention costs for collecting custom duties.</p> <p><u>Improvements to Council’s position:</u> During the negotiations, Parliament focuses its efforts on securing a <b>roadmap for the introduction of new own resources</b> in the course of the next MFF. The institutions eventually agree on the following:</p> <ul style="list-style-type: none"> <li>- The roadmap is <b>enshrined in the IIA</b>, which establishes a cooperation and provides for arrangements that are binding on the three institutions, including the launch of a regular dialogue;</li> <li>- It endorses the principle that <b>interest costs and repayments of NGEU are to be covered</b> by the proceeds from new own resources;</li> <li>- First step (2021): a plastic contribution is introduced in January 2021, new legislative proposals on a <b>carbon border adjustment mechanism, digital levy and ETS</b> will be submitted by June;</li> <li>- Second step (2022 and 2023): Council will deliberate on these new own resources by 1 July 2022 at the latest in view of their introduction by 1 January 2023;</li> <li>- Third step (2024-2026): by June 2024, Commission will put forward a proposal for <b>additional new own resources, which could include a Financial Transaction Tax and a financial contribution linked to the corporate sector or a new common corporate tax base</b>. Council will deliberate on these new own resources by 1 July 2025 at the latest in view of their introduction by 1 January 2026.</li> </ul>
<p><b>Role of the European Parliament as one arm of the budgetary authority</b></p>	<p><u>Positive steps in Council’s position:</u> In the MFF, Council supports the <b>integration of the European Development Fund</b> in the Union budget, a long-standing request by Parliament to ensure its own role and oversight and reinforce the unity of the EU budget.</p> <p>In respect of the NGEU, while most other contributions first hinted at intergovernmental mechanisms, Parliament was the main proponent of <b>anchoring the Recovery Instrument in the Union framework</b>, as was proposed by the Commission and agreed by the Council.</p>

	<p>However, NGEU is set up with a legal basis that excludes Parliament from the legislative decision making procedure (Art. 122 TFEU), and gives rise to funds that enter the budget in the form of external assigned revenues that bypass the normal budgetary procedure.</p> <p><u>Improvements to Council’s position:</u> As regards the setting-up of future crisis mechanisms based on <b>Article 122 TFEU</b> with potential appreciable budgetary implications, Parliament obtains the creation of a <b>new procedural step (the ‘budgetary scrutiny procedure’)</b>. A joint committee will be convened, where Council and Parliament will engage in a constructive dialogue and seek a joint understanding of the budgetary implications before Council proceeds with adoption.</p> <p>As regards NGEU per se, Parliament secures the inclusion of a new section in the IIA which enhances the budgetary authority’s <b>involvement in the use of NGEU external assigned revenue</b> (detailed information and updates, regular interinstitutional meetings, adoption of an Annex to the annual budget, procedure to address deviations).</p> <p>Parliament also secures an agreement to assess more structurally the provisions on external assigned revenue and reporting on borrowing and lending in the <b>next revision of the Financial Regulation</b>.</p> <p>Finally, in the light of the sub-optimal experience of the MFF negotiation process, Parliament secures a new provision in the IIA whereby institutions will seek to define <b>specific arrangements for cooperation and dialogue in future MFF negotiations</b>.</p>
<b>Horizontal issues</b>	<p><u>Positive steps in Council’s position:</u> With Parliament’s support, the Council increases the overall <b>target of expenditure supporting climate objectives</b> from 25% (proposed by the Commission) to at least 30% of MFF/NGEU expenditure.</p> <p><u>Improvements to Council’s position:</u> In the IIA, Parliament secures an <b>enhanced climate tracking methodology</b> with a stronger role for Parliament and Council, and remedial measures to reach the overall climate target of at least 30%.</p> <p>Parliament obtains the addition of a <b>new annual biodiversity target</b> of 7.5% in the MFF from 2024, in view of reaching 10% in 2026 and 2027. The methodology is to be designed in close cooperation with Parliament and Council.</p> <p>Parliament also secures the design of a <b>methodology to measure gender expenditure</b>, to be implemented from 2023 at the latest for several centrally managed programmes in view of its extension in the second half of the MFF.</p>

	<p>In order to better protect the EU budget including NGEU expenditure and to improve budgetary supervision, control and audit, the institutions agreed to <b>reform the collection, the quality and comparability of data on beneficiaries</b> so that information is available in a timely, integrated, comparable and centrally accessible format and so that it covers not only the immediate recipients but also the beneficial owners of the recipients of funding.</p>
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## 2. Timeline

- **14 March 2018:** Parliament is the first institution to set out its position on the MFF 2021-2027 and Own resources in two non-legislative resolutions<sup>3</sup> with the aim of influencing the Commission proposals. It states that it will not provide its consent on the MFF without sufficient progress on the own resources.
- **2 May 2018:** The Commission publishes its proposals on the MFF and the own resources on 2 May 2018, proposing an MFF at EUR 1 134,6 billion in 2018 prices in commitments. It also puts forward a draft Regulation on the protection of the Union budget (‘Rule of law mechanism’) and, in the following weeks, tables proposals for the basic acts of the 37 sectoral programmes. Commission sets the objective of reaching an agreement before the European elections of May 2019. Parliament adopts a short resolution in response to the Commission proposals on 30 May 2018.
- **May 2018 (until July 2020):** Start of exchanges of views between the negotiating team and successive Council presidencies before and after General Affairs Council (GAC) meeting where the MFF is on the agenda (“GAC briefings/debriefings”). Parliament describes them as short and formalistic. The negotiating team will be invited twice to informal meetings with GAC Ministers on 12 March 2019 (in Bucharest) and on 19 November 2019 (in Brussels).<sup>4</sup>
- **14 November 2018:** Parliament adopts an interim report<sup>5</sup> constituting its detailed negotiating mandate, containing in particular:
  - detailed figures for all MFF ceilings and special instruments, broken down per programme within a ceiling of EUR 1 324,1 billion;
  - specific amendments to the Commission’s draft MFF Regulation, as well as the draft Interinstitutional agreement.

Parliament requests stepping up regular meetings with Council to pave the way for official negotiations, aiming at reaching a good agreement prior to the 2019 European Parliament elections.
- **December 2018:** First partial negotiating box submitted to the General Affairs

<sup>3</sup> Texts adopted, P8\_TA(2018)0075 and P8\_TA(2018)0076.

<sup>4</sup> Not counting bilateral meetings with Ministers, Ambassadors, Commissioners and stakeholders throughout the period.

<sup>5</sup> Texts adopted, P8\_TA(2018)0449.

Council.<sup>6</sup> Parliament's negotiating team starts the practice of circulating to Council and within Parliament annotated versions of the negotiating boxes prepared in collaboration with the rapporteurs for the sectoral programmes in order to foster information and exchanges about Parliament's views. The European Council rules out the option of a deal before the elections.

- **November 2018-April 2019:** Parliament adopts negotiating mandates for the rule of law mechanism and almost all expenditure programmes. Parliament accepts to conclude some partial agreements with Council based on the latter's partial negotiating mandates (sectoral provisions affected by the negotiating box remain bracketed).
- **10 October 2019:** Following the European elections, Parliament confirms and updates its negotiating mandate and calls on the Commission to formally reflect in its initial MFF proposal the impact of the commitments taken by its new President<sup>7</sup>. Due to Council's delays, Parliament asks for a contingency plan should an agreement not be reached in time.
- **December 2019:** First negotiating box with figures submitted to the General Affairs Council. On top of its annotated versions of the negotiating box, Parliament's negotiating team starts the practice of circulating comparative analyses of every new set of figures put forward by the other institutions.
- **20-21 February 2020:** The special European Council meeting is inconclusive. On the basis of Article 225 TFEU, Parliament subsequently prepares a formal request for a contingency plan to the Commission<sup>8</sup>.
- **April and May 2020:** Due to the health and economic consequences of the COVID-19 pandemic, Parliament calls on the Commission, in two resolutions<sup>9</sup>, to propose a massive recovery and reconstruction package financed by common borrowing guaranteed by the Union budget, with a significant grant component.
- **27 May 2020:** The Commission puts forward a Recovery plan that includes revised proposals for the MFF and the Own resources, new proposals for the setting up of a Recovery Instrument / Next Generation EU of EUR 750 billion financed by borrowing on financial markets, and new or revised sectoral proposals.
- **8 July 2020:** First high-level meeting of the Presidents of the institutions set out in Article 324 TFEU "to promote consultation and the reconciliation of the positions".<sup>10</sup>

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<sup>6</sup> "Negotiating boxes" are an internal document aimed at coordinating Council positions on the most political aspects of several legislative texts while leading, ultimately, to detailed European Council conclusions. As Parliament pointed out, they tend to confer a predominant role on the European Council, including for a significant number of sectoral provisions to be decided under the ordinary legislative procedure. They prevent Council from adopting full negotiating mandates until late in the process and, when turned into European Council conclusions, highly constrain the room for manoeuvre of Council negotiators.

<sup>7</sup> Texts adopted, P9\_TA(2019)0032

<sup>8</sup> Texts adopted, P9\_TA(2020)0065

<sup>9</sup> Texts adopted, P9\_TA(2020)0054 and P9\_TA(2020)0124

<sup>10</sup> Not counting EP President's appearances before the European Council as well as informal bilateral meetings

- **17-21 July 2020:** The European Council reaches political agreement on an MFF at EUR 1 074,3 billion in 2018 prices and a Recovery Instrument of EUR 750 billion, including EUR 390 billion of grants. This makes it possible for the Council to adopt full positions and negotiating mandates on the whole package of proposals.
- **23 July 2020:** Parliament adopts a resolution<sup>11</sup> setting out Parliament’s assessment of the European Council conclusions and identifying the main elements for the upcoming negotiations.
- **27 August 2020:** Negotiations start in the form of “trilateral dialogue” meetings between Parliament’s negotiating team, the Permanent Representative of Germany (holding the Council Presidency) and the Commissioner responsible for Budget. They are prepared and followed up by numerous trilateral meetings at technical level.
- **16 September 2020:** Without waiting for the outcome of negotiations, Parliament provides its compulsory opinion to the Own Resources Decision (ORD)<sup>12</sup> to clear the way for its adoption by Council and subsequent ratification in all Member States, in view of the swift launch of the Recovery Instrument.
- **30 September 2020:** Council adopts negotiating mandate on the rule of law mechanism. Negotiators will reach provisional agreement on 5 November 2020 (endorsed by the Committees on Budgets and on Budgetary Control on 12 November, and by Coreper on 16 November).
- **10 November 2020:** At the 12th “trilateral dialogue” meeting, MFF/OR negotiators reach a political agreement on the MFF, the own resources and the Recovery Instrument.

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with other Presidents (some of them in the presence of the negotiating team).

<sup>11</sup> Texts adopted, P9\_TA(2020)0206.

<sup>12</sup> Texts adopted, P9\_TA(2020)0220.