Multiannual financial framework for the years 2014-2020

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The Council discussed the EU's multiannual financial framework (MFF) for the 2014-2020 period on the basis of a negotiating box which, for the first time, covers **all elements of the MFF** on both the expenditure and the revenue side.

Ministers welcomed the work undertaken by the Danish presidency to date and considered the latest version of the negotiating box as a good basis for further discussion.

Many ministers insisted on the need for the MFF 2014-2020 to promote job creations, growth and

investments. They also agreed on the need to improve the quality of expenditure. Some delegations considered that better spending does not necessarily entail less spending, while others stressed that improving the quality of expenditure does not preclude EU budgetary consolidation in times of crisis.

As regards expenditure, ministers focused on :

- cohesion policy,
- the Common Agricultural Policy (CAP),
- macroeconomic conditionality.

As regards cohesion policy, some delegations **opposed the proposed level of capping**, limiting the level of transfer to each member state to a certain percentage of its gross domestic product. Several delegations also objected to the so-called reversed safety net, limiting the scope of support to a certain percentage compared to its level during the 2007-2013 period. Some member states

expressed concerns about the new category of transition regions, whereas others supported it.

In respect of the CAP, some delegations considered the proposed convergence of direct aids per hectare in terms of scope and timeframe as insufficiently ambitious. Others, however, found it too drastic. Some ministers opposed possible cuts to overall spending under heading 2 (sustainable growth: natural resources). Others supported this idea, some considering it as a means to improving the convergence of direct aids.

Some ministers welcomed the so-called macro-economic conditionality aimed at ensuring that the effectiveness of expenditure of the five funds under the common strategic framework is underpinned by sound economic policies, or considered the wording in the negotiating box on the subject to be a good basis. Others had reservations on this.

As regards revenue, which was included in the negotiating box for the first time, ministers stressed the importance of the rules being simple, transparent and fair. Some delegations supported the abolition of the current VAT-based own resource, as proposed by the Commission. Some were ready to examine this proposal, while others opposed it.

The proposed new own resource based on a financial transaction tax was supported by some member states and opposed by others.

Many ministers were in favour of abandoning completely all corrections to the system of own resources, but considered the proposed lump sums as a step in the right direction. Others insisted on maintaining the existing correction mechanisms, or at least keeping a guarantee of the current amount of correction under a new mechanism. For the time being, the negotiating box only contains a small number of figures in square brackets. Later in the negotiation process, figures for the ceilings of the individual headings of the MFF will be added. The Commission is also expected to submit an updated proposal on the MFF which, amongst other things, will integrate its spring economic forecast into the proposals.

The European Council will hold a first substantial discussion on the MFF 2014-2020 on 28 and 29 June. It will also discuss the issue of how the new MFF can best contribute to the creation of growth. It is expected to approve procedural conclusions to guide the negotiation process in line with the agreed timetable.

The aim is to reach an agreement and adopt the MFF regulation before the end of this year.