

Multiannual financial framework for the years 2014-2020

2011/0177(APP) - 12/10/2012 - Committee interim report tabled for plenary

The Committee on Budgets adopted the interim report by Ivailo KALFIN (S&D, BG) and Reimer BÖGE (EPP, DE) in the interests of achieving a positive outcome of the **Multiannual Financial Framework 2014-2020** approval procedure.

Members recall that it is necessary for the EU to have both a budget and a budgetary procedure which fully **reflect the transparent and democratic essence of the parliamentary decision-making and control process**, on the basis of respect for the general principles of unity and universality, which require that all revenue and expenditure be entered in full with no adjustment against each other, and that there be a **parliamentary debate and vote on both revenue and expenditure in line with Treaty competences**.

Although Members are fully aware that the negotiations on the MFF 2014-2020 are taking place in a very difficult social, economic and financial context, in which Member States are engaging in considerable efforts to make fiscal adjustments to their national budgets, they insist that the **Union cannot be seen as adding an extra fiscal burden on taxpayers**.

Members are convinced that the EU budget is a part of the solution to enable Europe to emerge from the current crisis by promoting investments in growth and jobs and helping Member States tackle, collectively and in concerted fashion and on a sustainable basis, the present structural challenges, in particular loss of competitiveness, rising unemployment and poverty.

Members also stress that the **EU budget is primarily an investment budget** and that 94% of its total returns are invested in the Member States themselves or for external priorities of the Union. They emphasise that, for the regions and Member States, public investment would be minimised or impossible without the contribution of the EU budget. Members insist that the **EU budget is a key tool** to deliver smart, sustainable and inclusive growth for the entire EU

Against budget cuts that would result in imbalances in the EU's economy: Members feel that any cuts in the EU's budget would inevitably increase imbalances and hamper the growth and competitive strength of the entire Union economy, as well as its cohesiveness, and would undermine the principle of solidarity as a core EU value.

Members also note certain priorities for the agreement of future budgets and in particular two major ones:

1) More money for research and competitiveness to help EU out of the crisis: MEPs point out that the measures taken since 2008 have not yet brought about an end to the economic and financial crisis. They believe that a well-targeted, robust and sufficient EU budget is needed to help coordinate and enhance national efforts. They therefore call for **significant increases in the budget for competitiveness, SMEs, entrepreneurship, sustainable infrastructure and research and innovation funding**.

2) New life to be breathed into Cohesion Policy and the CAP: given the pressing need to secure public investment in growth and jobs, MEPs want the budget for cohesion policy to be maintained **at least at the level of the 2007-2013 period**. Equally, the budget for the common agricultural policy (CAP), which contributes to job creation in rural areas, should be at least maintained, while being used more effectively and efficiently.

Members challenge the Council, if it proposes cuts, to identify clearly and publicly which of its political priorities or projects should be dropped altogether.

Own resources: given the serious crisis situation facing Member States, **balanced structural reforms** at both national and EU level are necessary, in particular in regard to **own resources**. To encourage a favourable outcome in terms of the current negotiations, Members consider that any political agreement will have to include the following aspects:

- there must be an **in-depth reform of the financing of the EU budget**, to return to a system of genuine, clear, simple and fair own resources, offering the guarantees over decision making and democratic control inherent in all public budgets;
- this reform must enter into effect during the 2014-2020 MFF, as proposed by the Commission;
- those Member States willing to introduce a **financial transaction tax** must now proceed with a formal request to the Commission for a proposal on enhanced cooperation in this field; the Commission will then have to react immediately with the publication of such a proposal together with a set of revised proposals on the own resources package, in order to ensure that revenues from this tax are wholly or partly allocated to the EU budget as a genuine own resource, thus reducing the national contributions of those Member States introducing this tax;
- **an agreement on the reform of VAT as own resource**, as well as its implementing modalities, must be concluded together with the agreement on the MFF;
- the new system must put **an end to the existing rebates and other correction mechanisms**; any eventual compensation can only be accepted on the basis of the Commission proposal, as temporary by nature and justified by indisputable and objective economic criteria;
- in the event that implementation of the new own resources does not result in a significant decrease in Member States' GNI-based contributions to the EU budget, the Commission will come forward with additional proposals on the introduction of new genuine own resources.

Interinstitutional negotiations: Members stress that a stringent majority is required in both Parliament and Council to adopt the MFF, and points to the importance of exploiting to the full the provisions of Article 312(5), which imposes on the institutions the duty to carry out negotiations in order to reach agreement on a text to which Parliament can give its consent. They emphasise that this will be the **first time an MFF regulation is adopted under the new provisions of the Treaty of Lisbon**, which entail new cooperation arrangements among the institutions combining efficient decision-making and respect for the respective prerogatives.

Members also note that **any political agreement reached at European Council level constitutes no more than a negotiating mandate for the Council**. They insist that after the European Council has reached a political agreement, fully-fledged negotiations between Parliament and the Council need to take place before the Council formally submits for Parliament's consent its proposals on the MFF Regulation.

They also recall that according to the TFEU, **Parliament and the Council are the legislative bodies** and the European Council does not have the role of legislator; stresses that the negotiations on the legislative proposals relating to the multiannual programmes will be pursued under the ordinary legislative procedure. They insist on a qualitative approach to the MFF Regulation and related multiannual programmes negotiations; stresses that they are to be considered as a package, and reaffirms the principle that 'nothing is agreed until everything is agreed'.

They also draw Council's attention to the **annexed Working Document** highlighting modifications to the proposal for a Council Regulation laying down the MFF for the years 2014-2020 and to the proposal for an Interinstitutional Agreement on cooperation in budgetary matters and sound financial management;

advises that further modifications may become necessary depending on how negotiations on the MFF progress; points out that **the Interinstitutional Agreement can be finalised only after the MFF procedure has been completed.**