

Multiannual financial framework for the years 2014-2020

2011/0177(APP) - 23/10/2012 - Text adopted by Parliament, single reading

The European Parliament adopted by 517 votes to 105 with 63 abstentions a resolution **aiming to achieve a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure.**

Parliament begins by recalling that pursuant to the Treaty on the Functioning of the European Union (TFEU), the Council, acting in accordance with a special legislative procedure, must adopt a regulation laying down the Multiannual Financial Framework and **all items of revenue and expenditure of the Union must be shown in the budget.**

The EU budget as a key tool to deliver smart, sustainable and inclusive growth for the entire EU: Parliament states that it is 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. It insists, however, that **the Union cannot be seen as adding an extra fiscal burden on taxpayers.** Parliament is 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. Balanced structural reforms at both national and EU level are required with the aim of promoting employment, improving public spending on innovation, research and development, meeting our climate change and energy objectives, improving education levels and promoting social inclusion.

With respect to the current crisis, Parliament considers that the EU budget should be at the heart of **solidarity between Member States.**

It goes on to note that **the EU budget represents only some 2 % of total government expenditure in the Union,** and is hence more than 45 times smaller than the sum of government expenditure in the Member States, and 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.** Parliament emphasises that, for the regions and Member States, public investment would be minimised or impossible without the contribution of the EU budget.

It also highlights the following issues:

- delivering on the Europe 2020 strategy's seven flagship initiatives which will require a substantial amount of future-oriented investment, estimated at no less than EUR 1 800 billion up to 2020, while at the same time applying severe budgetary measures at national level;
- the alarming situation **young people** face across the EU requires a particular effort;
- measures are needed for a strong, diversified, competitive industrial base to support competitiveness and job creation in the EU;
- at least **20 % of expenditure must be climate-related** mobilising investment for a sustainable and prosperous low-carbon economy.

Level of expenditure: Parliament states that **the shrinkage of the EU budget with respect to the national budgets is in flagrant contradiction with the extension of competences and tasks conferred on the Union by the Treaty.** Since 2000 the gap between the EU own resources ceiling (1.29 % of GNI in commitment and 1.23 % in payment appropriations) and the MFF ceilings has grown dramatically. Parliament recalls furthermore that the MFF only sets maximum levels of expenditure, while the EU budget has always remained far below those levels. It considers that **the Commission proposal, which represents a freeze of the MFF 2014- 2020 ceilings at the level of the 2013 ceilings, will not be sufficient to finance the EU's existing policy priorities.**

Parliament **warns the Council against any attempt to reduce further the level of EU expenditure as proposed by the Commission.** It firmly opposes any plea for linear, across-the-board cuts that would jeopardise the implementation and effectiveness of all EU policies, and challenges the Council, in case it proposes cuts, to clearly and publicly identify which of its political priorities or projects should be dropped altogether.

In all, Parliament **reaffirms its position in favour of a significant increase** in the funding available for the Union programmes in the fields of: (i) competitiveness, (ii) SMEs, entrepreneurship and (iii) sustainable infrastructure.

Furthermore, the European Parliament :

- underlines the importance of research and innovation and calls on the EU institutions and the Member States to agree on a specific roadmap for achieving the 3 % GDP target of investment in research;
- strongly rejects any attempt to further decrease the allocation for programmes, such as [COSME programme](#);
- maintains its position that cohesion policy funding should be maintained at least at the level of the 2007-2013 period and supports earmarking 25 % of the total cohesion policy allocation to the ESF;
- supports the maintenance of the amounts allocated to the CAP in the budget year 2013 during the next financial programming period, with a more efficient allocation of its budget, via a fair distribution of direct payments and rural development allocations between Member States, regions and farmers;
- supports the strengthening of the Union programme for environment and climate;
- urges an increase in the financing of the concrete youth-specific instruments proposed by the Commission;
- stresses the need to continue the programme for the most deprived persons;
- reiterates that the new responsibilities at international level conferred on the EU by the Treaties will require the achievement of Member States' 0.7 % GNI spending targets for Official Development Aid and the Commission's proposals for 'Global Europe' and the need to match the responsibilities of EEAS with adequate budgetary resources.

Better spending: Parliament believes that in the present context of public budgetary constraints, Union added value is to be found notably in long-term investments that are beyond the reach of individual Member States. It stresses the need for coherence and simplification to further reduce the administrative

burdens. Stressing again the principle of sound financial management, Parliament reminds Member States of their legal obligation to ensure that appropriations entered in the budget are used in accordance with this principle (90 % of the errors detected by the European Court of Auditors have been in Member States). It supports the introduction of ex ante conditionality provisions to ensure that EU funding, particularly in respect of the Cohesion Fund, the Structural Funds and the rural and fisheries funds, are better targeted to the achievement of the Europe 2020 objectives. Members consider that the regions should not be punished for the failure of the national level to comply with procedures related to economic governance.

Generally, Parliament agrees on the need to rationalise administrative expenditure, so long as the institutions can perform their tasks and duties in accordance with their obligations and powers under the Treaties. It **profoundly disagrees with the application of a linear staff reduction to all institutions, bodies and agencies**, as their roles and responsibilities under the Treaties differ widely. It points again to the significant savings that could be made if the European Parliament were to have a single seat, and urges the budgetary authority to raise this issue in the negotiations on the next MFF 2014-2020.

Duration and mid-term revision: Parliament takes the view that for the next MFF, a 7-year period set until 2020 should be considered as a transitional solution, given that it makes a clear link with the Europe 2020 strategy. It believes, however, that a 5- or a 5+5-year period would better align the MFF's duration with that of the institutions' terms of office, thereby enhancing democratic accountability and responsibility. It also stresses the need for a mid-term revision to be enshrined in the MFF regulation, with a specific procedure including a binding calendar ensuring the full involvement of the next Parliament.

Need for a more flexible MFF: Parliament believes that 5% **flexibility** is indispensable as regards the ceilings for the (sub)headings, to make it possible to adapt to new circumstances without increasing the overall amount and without requiring revision of the MFF. It welcomes the Commission's proposal to increase the level of legislative flexibility (possibility of departing from a given amount for the entire duration of the programme concerned) from 5 % to 10 %. It proposes to this end **that the margins left under the commitment appropriations ceilings in one year's budget should be carried over to the next year** when the need arises.

It also stresses the need to introduce **a global MFF margin for payment appropriations**, enabling the carry-over of margins left under the payment appropriations ceiling to following years and mobilised in the framework of the annual budgetary procedure.

Once again, Parliament expresses its concern about the current ever-growing level of outstanding commitments (RALs) and calls for a joint interinstitutional strategy for keeping the level of RALs under control to avoid, as much as possible, the risk of hampering the implementation of EU programmes because of a lack of payment appropriations at the end of the financial framework.

Parliament also raises: i) the issue of budget surpluses; ii) the Council's regular linear cuts to the Commission's estimations for payment appropriations, which is not good budgeting (to this effect, Parliament considers it would be better to use the surpluses by reinjecting them back into the EU budget), iii) the issue of contingency margins; iv) the increase in the envelop of the Flexibility Instrument proposed by the Commission; v) its support for the Commission's proposal that the Emergency Aid Reserve, the European Union Solidarity Fund, the European Globalisation Adjustment Fund and the reserve for crises in the agriculture sector, given their non-programmable nature, should be entered in the budget over and above the ceilings for the relevant headings.

Unity of the budget:

Once again, Parliament recalls that the **EU budget covers all revenue and expenditure resulting from decisions taken by the EU institutions** within the framework of their competences, and that it takes into

account separately the Union's financial operations in the form of lending, borrowing and guarantees. It strongly urges the Commission and Council to **list in a separate annex the budgetary or financial commitments and guarantees undertaken by the Union or by some of Member States in the framework of the European stabilisation mechanisms (EFSM, EFSF, ESM)** in accordance with the relevant provisions of the TFEU. In an amendment adopted in plenary, Parliament expresses its firm conviction that **any new fiscal capacity for eurozone Member States** aiming at adjustments to country-specific asymmetric shocks and structural reforms and whose fiscal functions are not covered by the MFF **must be developed within the Union framework and must be subject to proper democratic accountability through the existing institutions.** It recalls that any new budgetary capacity must be part of the EU budget, thereby respecting its unity and to improve visibility and ensure the additionality of such a new budgetary capacity, **a special new heading of the MFF should be created.** In this regard, it strongly rejects any attempt to reduce the ceilings of the Commission's proposal on the MFF in order to secure resources for this new capacity.

Parliament confirms its intention in the future to organise a specific public debate and hold a vote on the revenue side of the budget, as part of its examination of the annual draft budget. It believes that, in this way, a permanent debate on the financing system of the Union will be maintained.

Own resources: Parliament regrets the current stalemate in the negotiations created by the **lack of a genuine own resources system.** These negotiations are organised in Council around two opposing camps, led by the net contributor countries to the EU budget, on the one hand, and by the net beneficiary countries of the EU budget, on the other, in a system which creates a purely accounting-based vision of 'fair return'

Parliament reiterates its belief that the financing of the Union budget **should return to a genuine system of own resources**, as provided for in the Treaty of Rome and all successive EU treaties. **It deeply regrets the fact that the current system**, whereby the vast majority of the financing comes from national contributions, is non-transparent and unfair and is not subject to parliamentary control at either European or national level. Such a system violates, in essence, the letter and spirit of the Treaty. Parliament reaffirms its basic position, as stated in its resolution of 13 June 2012, that **it is not prepared to give its consent to the next MFF Regulation without political agreement on reform of the own resources system**, in line with the Commission's proposals of 29 June 2011, including its legislative proposals for genuine new own resources. Such a reform should aim at reducing the share of Member States' GNI-based contributions to the EU budget to a maximum of 40 % by 2020, thereby contributing to the consolidation efforts of Member States.

Parliament then indicates what, in its eyes, should constitute the basis of the necessary political agreement:

- **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;
- the Commission should react immediately to the formal request of several Member States, reaching the necessary threshold, to **introduce a Financial Transaction Tax under enhanced cooperation.** Any such legislative proposal by the Commission must be published 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: Parliament stresses 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. It emphasises 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. It welcomes, in this respect, the steps taken by the Hungarian, Polish, Danish and Cypriot Council Presidencies-in-office to establish a structured dialogue and regular information exchange with Parliament.

It notes that **any political agreement reached at European Council level constitutes no more than a negotiating mandate for the Council**. 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.

Parliament reiterates 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. It stresses that they are to be considered as a package, and reaffirms the principle that 'nothing is agreed until everything is agreed'. It draws 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. It advises that further modifications may become necessary depending on how negotiations on the MFF progress and points out that **the Interinstitutional Agreement can be finalised only after the MFF procedure has been completed**.

With respect to the negotiations, Parliament expresses its readiness to enter into substantial discussions with the Council on both the MFF regulation and the IIA, and asks the Council to intensify contacts at all levels with a view to the 22-23 November European Council; stresses the need to reach the final agreement on the MFF as soon as possible. It points out, finally, that if no MFF has been adopted by the end of 2013, the ceilings and other provisions corresponding to 2013 will be extended until such time as a new MFF is adopted. It signals that, in this eventuality, Parliament would be ready to reach a swift agreement with the Council and Commission to adapt the internal structure of the MFF to reflect the new political priorities.

It should be noted that an alternative motion for resolution tabled by the ECR group was rejected in plenary.