

# Negotiations on the MFF 2014-2020: lessons to be learned and the way forward

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The Committee on Budgets adopted the joint report by Jean-Luc DEHAENE (EPP, BE) and Ivailo KALFIN (S&D, BG) on negotiations on the MFF 2014-2020: lessons to be learned and the way forward. The Committee on Constitutional Affairs exercising its prerogatives as an associated committee in accordance with [Rule 50 of the Rules of Procedure](#), was also consulted for an opinion on the report.

Members recalled that the overall level of the next MFF (EUR 960 billion in commitments, EUR 908 billion in payments at 2011 prices). This represented **a cut of 3.5 % in commitments and 3.7 % in payments compared to the 2007-2013 financial framework**, despite the growing EU competences following the Lisbon Treaty and the enlargement of the Union to 28 Member States. Members stated that **this level fell short of EU political goals and commitments, in particular in relation to the Europe 2020 strategy.**

The committee also recalled that the EU annual budget would continue to represent approximately 1% of EU GNI, a level well below the own resources ceiling of 1.29% of EU GNI, as decided in 1992. It stressed that, faced **politically with the impossibility of changing the overall MFF figures** decided by the European Council, Parliament had focused on **improving the implementation of the MFF** by successfully negotiating the inclusion of new provisions that will help to make the new financial framework and the new EU annual budget more operational, consistent, transparent and responsive to the needs of EU citizens. These provisions concerned, in particular, the new arrangements relating to the **MFF revision, flexibility**, the unity and transparency of the **EU budget**, along with a further engagement on **reforming the financing of the EU budget.**

In general terms, Members regretted the fact that both the procedure leading up to the agreement on the MFF 2014-2020 and the political debate surrounding these negotiations demonstrated **a clear lack of shared vision as regards the EU budget and political priorities**, showed that there are very divergent approaches among the EU institutions, and **fell short of Parliament's increased role and prerogatives under the Treaty of Lisbon.**

Accordingly, Members wanted to draw the necessary political and institutional lessons, which could serve as a basis for the preparation of future negotiations.

**Political considerations:** whilst acknowledging the need for fiscal consolidation in Member States, the committee pointed out that the EU budget was primarily an **investment budget** for enhancing national efforts made to regain growth, stimulate competitiveness and generate employment in the whole EU. It was concerned at the fact that budgetary debates in the Council had been for many years poisoned by the logic of **'fair returns'** instead of being driven by the logic of the European added value. Members considered that, while this debate had already existed before the introduction of a GNI-based resource, the situation had seriously intensified due to the current system of EU financing, whereby some 74 % of revenues stemmed from national contributions based on GNI instead of genuine own resources. This logic also prevailed in the way the MFF agreement was struck by the European Council on 8 February 2013. Members criticised, in particular, the increased number of special allocations and 'gifts' granted in the course of negotiations between Heads of State and Government, which are not based on objective and verifiable criteria, but rather reflect the bargaining power of Member States, which denoted a lack of transparency. The report underlined that **the European added value should prevail over national interests.** Members strongly rejected this purely accounting vision of the EU budget, and regretted the

fact that some Member States seemed to regard national contributions to the EU budget purely as a cost to be minimized.

They also considered that:

- any decision on the financial framework should be preceded by – and based on – a genuine political debate on the role, function and added value of the EU budget;
- the EU should have a system of genuine, clear, simple and fair own resources, which would reduce the share of GNI-based contributions to a minimum.

**Institutional considerations:** the committee recalled that Parliament was the first EU institution to present its vision on the MFF 2014-2020 and the need to reform the financing of the EU budget. It considered it regrettable that: (i) **prior to the European Council agreement on the MFF of 8 February 2013, no meaningful negotiations were held between Parliament and the Council;** (ii) despite Parliament's strong objections, all successive 'negotiating boxes' presented by different Council presidencies and, ultimately, the European Council MFF agreement of 8 February 2013 contained a significant number of legislative elements that should have been decided under the ordinary legislative procedure;

Drawing lessons from these observations, Members wanted:

- Parliament to use all means available to strengthen its influence on the spirit, calendar and content of the negotiations with the Council, by making the Council better acknowledge Parliament's arguments and positions;
- a more constructive attitude on the part of Council negotiators instead of forcing Parliament to struggle, including at the highest political level, in order to engage in negotiations on every article of the MFF Regulation / IIA;
- to significantly improve the modalities of any future MFF negotiations, in order to avoid deadlocks and save valuable time and resources in the course of negotiations.

Members also called for a **shift towards qualified majority voting for the MFF Regulation** and stated the unanimity rule in the Council means that the agreement represented the lowest common denominator, based on the need to avoid the veto of a single Member State. The general passerelle clause (Article 48(7) TEU) could be deployed by the European Council to make the shift towards qualified majority voting and the ordinary legislative procedure for the own resources and MFF decisions.

**MFF 2014-2020: the way forward:** Members declared their intention to ensure that all new provisions that were successfully incorporated into the MFF Regulation and IIA were utilised in full in the annual budgetary procedure, particularly the new rules on flexibility. They stressed, in this context, that the **accumulated RALs had reached a critical level** that might eventually lead the EU budget into structural deficit.

They recalled that the next Commission was due to launch a compulsory review and revision of the MFF 2014-2020 by the end of 2016, at the request of Parliament. In this context, Members stressed the need for the next Parliament to reflect in good time on political priorities, to identify areas for which more investments will be deemed necessary in the second half of the MFF 2014-2020, focussing on areas of proven added value of EU spending.

At the same time, Members strongly believed that a five-year MFF cycle would enhance democratic legitimacy, and improve the prioritisation of budgetary means.

The report underlined that the Commission proposals for the MFF revision should take full account of the latest macroeconomic projections and include a thorough assessment of the operation of all special instruments, in particular the global margins in commitments and payments. Members reiterated their intention to **make the compulsory MFF revision a key demand in the investiture of the next Commission**. The next European Parliament was called upon make the election of the proposed candidate for President of the Commission **conditional upon a strong and non-ambiguous commitment to implementing the post-electoral review/revision clause** and engaging in a genuine and deep political dialogue on its content.

**The issue of own resources:** lastly, Members recalled that debate on Own Resources represented a unique opportunity to overcome the deadlock that has arisen over the reform of the current own-resources system. They recalled that the High Level Group on Own Resources had a mandate to examine all aspects of the reform of the own resources system. Members stated that Parliament was firmly committed to working intensively at all stages of this process and counted on the Council's equal commitment to this process.