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PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL**

Roadmap to an agreement on the Union's long-term budget for 2021 - 2027

*The European Commission's contribution to the European Council meeting
on 20-21 June 2019*

ROADMAP TO AN AGREEMENT ON THE UNION'S LONG-TERM BUDGET FOR 2021-2027

1. Moving into the final phase of negotiations among Member States

Europe's Leaders agreed in Sibiu, Romania, on 9 May 2019 that 'we will give ourselves the means to match our ambitions. We will provide the Union with the means necessary to attain its objectives and carry through its policies'¹. This is what is at stake as the Union enters the final phase of the negotiations on the future long-term budget, the multiannual financial framework.

The Commission presented its proposals for a new and modern long-term budget, tightly geared to the Union's priorities, in May and June 2018. There followed an intensive period of technical work in both the European Parliament and the Council. The Commission's emphasis on boosting funding for new priorities, modernising existing programmes, simplifying and streamlining the budget, and giving the Union a more flexible budget received strong support both in the European Parliament and in the Council, while discussions continue notably about the appropriate proportions to be dedicated to individual Union policies within the EU budget.

The European Council in December 2018 called on the incoming Romanian Presidency of the Council to 'develop an orientation for the next stage of negotiations, with a view to achieving an agreement in the European Council in autumn 2019'. Since then the work led by the Romanian Presidency has helped to pinpoint the key issues that will need to be decided by Leaders by the autumn.

An agreement is within reach – but there remains much work to do. An ambitious and balanced agreement on the future framework will only be possible with strong political leadership from the European Council. The final mile will require compromise and a willingness to move forward in the European interest. This will be necessary to avoid costly delays in the launch of the new programmes – and in the benefits they will bring.

The European Council on 20-21 June will be a crucial milestone in this process. This will be an opportunity to provide guidance on the key political issues that will shape the future long-term budget and allow the Union to deliver efficiently on the priorities set out in the Sibiu Declaration. It will then fall to the Finnish Presidency to lead the final phase of work.

At a time of great uncertainty, the European Union must remain an anchor of stability. An ambitious agreement among Member States on the future long-term budget in the autumn will show that the Union is focused and determined to deliver on its positive agenda for all Europeans. It will provide the basis for a timely agreement with the European Parliament. And it will allow sufficient time for work to be finalised on the 37 thematic programmes and practical arrangements made for their successful launch on 1 January 2021.

The Commission calls on the European Council to set out a roadmap to achieving an agreement on the EU long-term budget in the autumn and to invite the Council to take the work forward as a matter of priority.

2. Building on the progress achieved

Considerable progress has already been made. The balanced package put forward by the Commission last year was widely recognised as a sound basis for the negotiations. There is broad recognition that the Union of the future will need a modern, flexible and streamlined budget, offering a level of ambition commensurate with the challenges Europe faces.

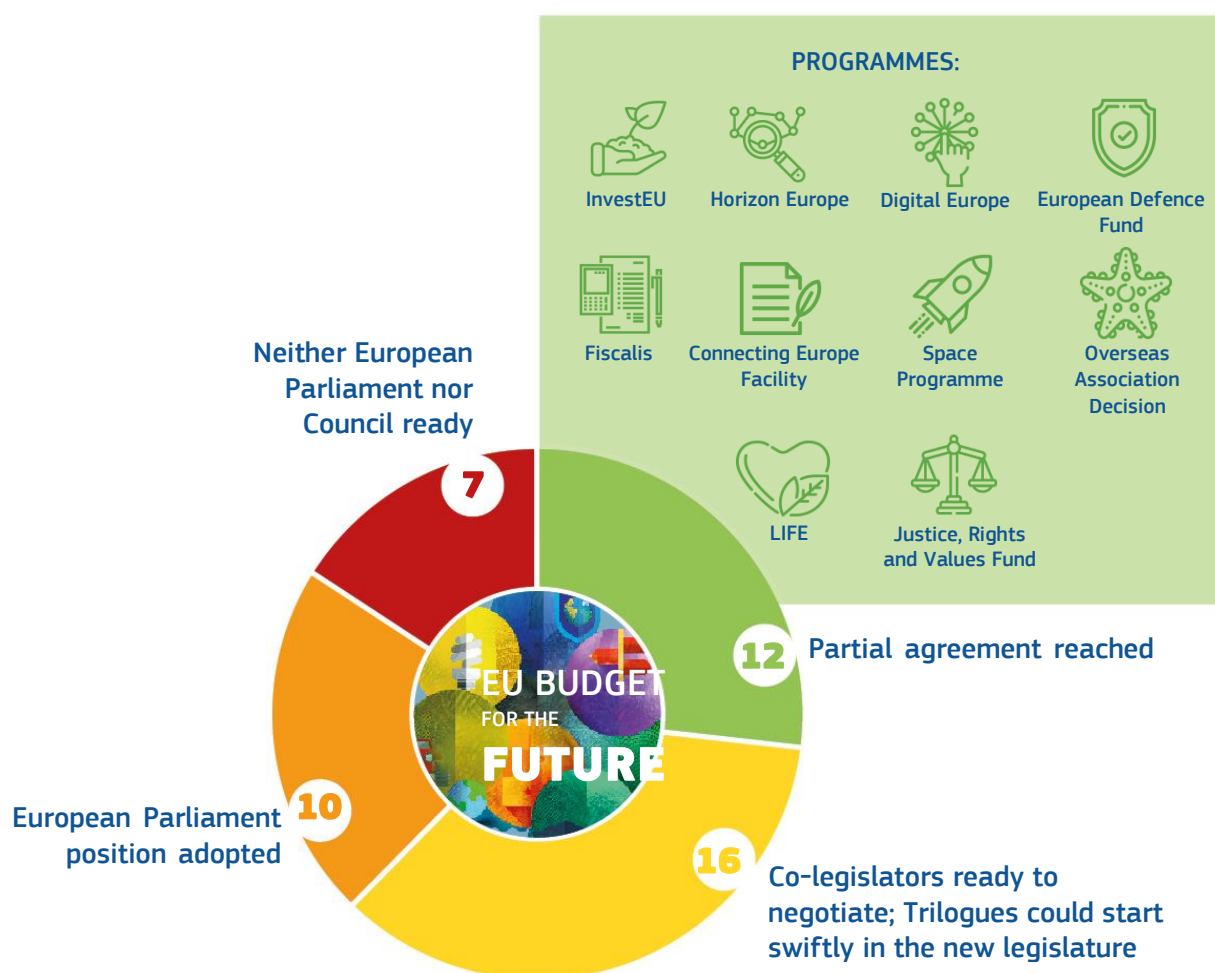
¹ The Sibiu Declaration, 9 May 2019, <https://www.consilium.europa.eu/en/press/press-releases/2019/05/09/the-sibiu-declaration/>

Successive Presidencies of the Council have set a rapid pace. The Bulgarian Presidency swiftly initiated work and the Austrian Presidency completed the first technical reading of the Commission's proposals. This allowed the key political issues for the design of the next multiannual financial framework to be identified in a draft 'negotiating box'. The Romanian Presidency has since led a series of thematic discussions helping to resolve technical issues and narrow down the open issues that will require the direct involvement of Leaders.

The European Parliament has also shown its strong commitment to a timely and ambitious agreement on the future long-term budget. The interim report on the multiannual financial framework on 7 November 2018 stressed the necessity of securing a more ambitious and credible EU budget for the benefit of citizens over the next seven-year period.

The Parliament and Council have also engaged constructively and efficiently in the negotiations on the sectoral programmes. The institutions have finalised at least partial negotiating mandates for a majority of the sectoral legislative proposals underpinning the future long-term budget. Common understandings have already been found between the co-legislators on the main features of many key programmes, covering strategically important issues such as research, defence, investment and the digital transformation. Their finalisation, as well as that of the remaining programmes, now depends critically on a swift agreement on the multiannual financial framework.

CURRENT SITUATION OF SECTORAL FINANCIAL LEGISLATIVE PROPOSALS*



*The 37 programmes rely on 45 legal proposals. The 12 partial agreements correspond to common understandings on these proposals for 10 programmes between the European Parliament and the Council, or in the Council only for Council acts.

While several important issues remain to be resolved, in particular on financial aspects, the discussions to date in the European Parliament and the Council have shown broad support for many of the essential modernisation features proposed by the Commission for the next multiannual financial framework:

- the **strong focus on European added value** and the need to provide adequate support for new and pressing priorities such as research and innovation, the digital economy, young people, migration and border management, security, defence and external action; and a strengthened emphasis on sustainability including a more ambitious goal for climate mainstreaming;
- the **streamlined and more transparent** structure of the future budget;
- the radical **reduction in the number of programmes** and the creation of **new integrated programmes** in areas like investing in people, the single market, strategic investments, rights and values and external actions, and the increased **focus on synergies between instruments**;
- the **simplification of funding rules** to reduce red tape for beneficiaries and managing authorities, and a greater focus on performance and results; and
- a **more flexible budget** to be able react rapidly in a fast-changing world.

Substantial progress has also been achieved on the features of a **budgetary instrument for convergence and competitiveness for the euro area**. This will promote cohesion within the Union by strengthening the resilience of the Economic and Monetary Union. In line with the mandate from the Euro Summit on 14 December 2018, work is progressing rapidly on the basis of the Commission's proposal for a Reform Support Programme. Positions are converging and agreement on the main features of the instrument is getting closer.

It is also widely accepted that the new mechanism to ensure that **generalised deficiencies as regards the rule of law** do not put the budget at risk will be an essential feature of an agreement on the future multiannual financial framework. While a number of issues remain to be addressed, discussions under the Austrian and the Romanian Presidencies have furthermore confirmed strong support for the Commission's proposal. Significant progress has been made at technical level, which should allow for an agreement in the Council under the Finnish Presidency. The Parliament adopted its position on 16 January 2019.

Work has also progressed on the Commission's proposals to **modernise the revenue side of the EU budget**. The Union needs a simpler and fairer system for financing the EU budget, linked more closely to the Union's policies and offering alternative sources of revenue to help fund new priorities and offset the impact of the departure of the United Kingdom. The European Parliament has made clear that own resources reform and the diversification of revenue sources is a condition for granting its consent on the future framework. There is growing openness in the Council to the principle of new own resources.

3. Converging on a fair and balanced agreement

The June European Council will kick-start the final phase of negotiations between Member States on the next multiannual financial framework. The progress to date has been encouraging, but a new political impulse is now needed to bring the negotiations to a successful conclusion in the autumn. Many technical issues have been resolved. It is now time to refocus on the key political issues that will shape the Union's future financial framework – and in particular on the financial aspects. For that, strong political leadership from the European Council will be vital.

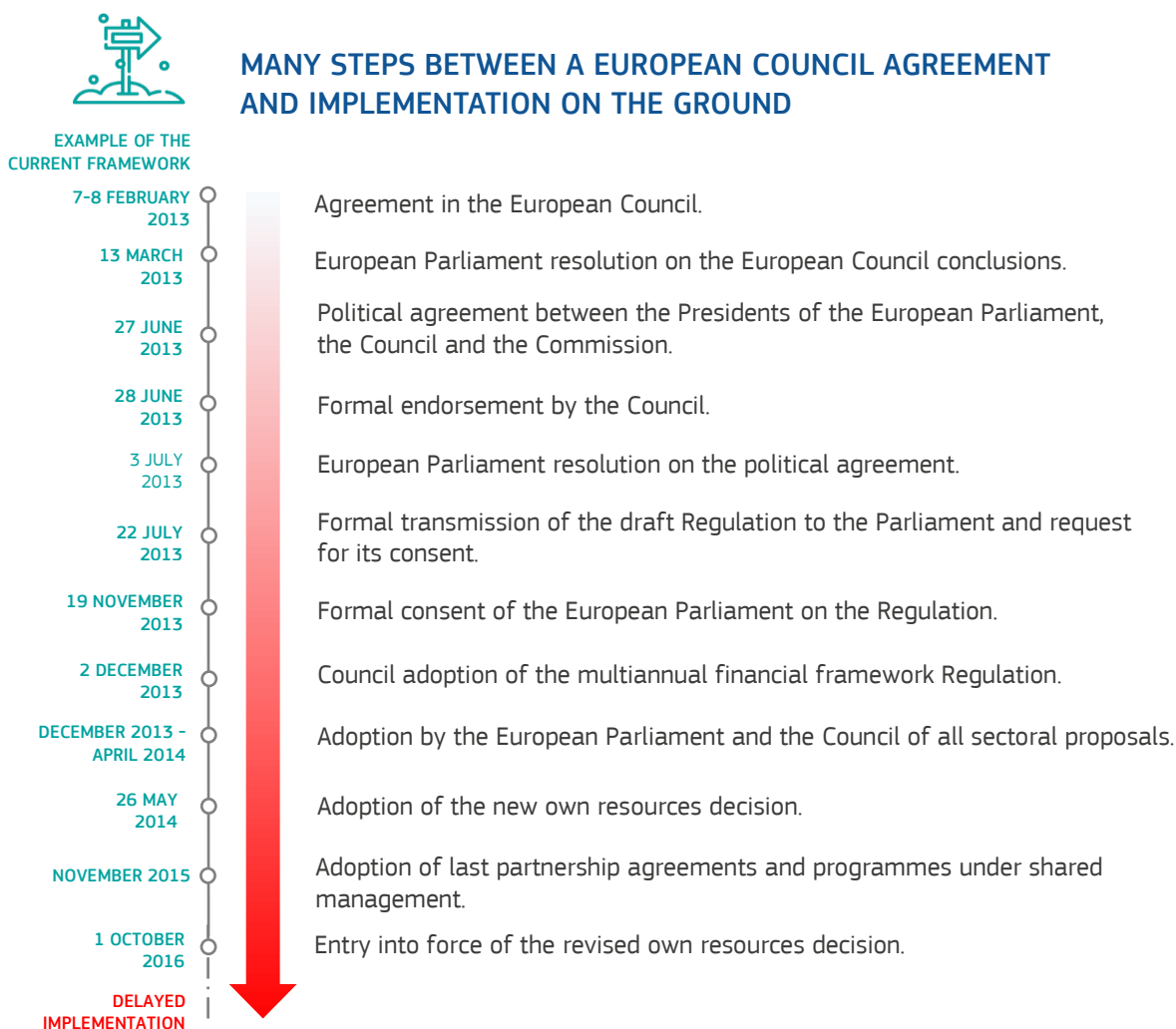
The Commission has consistently stressed that fairness and balance will be key to a successful outcome. The overall size of the budget will need to be sufficiently ambitious to deliver efficiently on the Union's common priorities, while taking due account of the financial impact of the departure of the United Kingdom. A new balance is required between increased funding for new spending priorities and continued strong support for a modernised common agricultural policy and cohesion policy. The link between funding from the EU budget and the EU's policy priorities and values must be strengthened. The allocation of funding between Member States must be based on fair and

objective criteria. A new and fairer system for financing the budget must also be part of a balanced package.

These are complex issues but it is now time to tackle them head-on. The June European Council should launch a new phase of political negotiations with an increasing focus on financial and other strategic issues. The Commission welcomes the intention of the Finnish Presidency to launch bilateral discussions at political level immediately after the summer to prepare the decisive agreement at the European Council in the autumn. These discussions will need to take full account of the expectations of the European Parliament for the future framework.

The urgency of this work cannot be overstated, both politically and practically. 1 January 2021 – the moment from which the next multiannual financial framework needs to be legally ready to be implemented in all Member States – is only 18 months away and there remains much to be done to ensure that the future financial programmes can start delivering from day one. Once the European Council finds an agreement, an intensive process of negotiation with the European Parliament will begin. The regular exchanges between representatives of the European Parliament and the Presidency of the Council have built up a positive dynamic. The level of ambition in the European Council will be a crucial factor in the Parliament's decision to give its consent.

As soon as the new Parliament takes office and rapporteurs are appointed, negotiations should resume on the 37 financial programmes. A significant acceleration will be needed for those programmes where interinstitutional negotiations are yet to start, which includes key programmes such as the common agricultural policy. This work can only be completed once the overall framework is agreed. And only once the programmes have been formally adopted can the Commission adopt the necessary delegated and implementing acts, which are then subject to the relevant scrutiny procedures.



The formal adoption process is only part of the story. The practical preparations for the new programmes also take time, whether it be preparing operational programmes, launching calls for proposals, or putting in place management, monitoring and control systems.

This work can begin in parallel with the finalisation of the legal framework but can only be completed once the legal framework is in place. As a reference point, it took a further two years for all programmes under shared management to be formally adopted. Actual project implementation could only start several months later still, as Member States had to publish calls for projects and finally select projects.

Delays in implementing the new long-term budget would have very real consequences on the ground. Vital investments would be postponed, Erasmus placements deferred and research jobs lost. In addition, the new own resources ceiling can only apply once the new own resources decision has been approved by all Member States in accordance with their respective constitutional requirements².

Time is therefore of the essence if Leaders are to fulfil their commitment to ‘provide the Union with the means necessary to attain its objectives and carry through its policies.’ Completing work on the future framework and the spending programmes in time to allow their full implementation by 1 January 2021 will be challenging, but it is achievable – provided that the European Council leads the way.

4. Conclusion

2019 is a year of renewal for the Union. The Declaration agreed by Europe’s Leaders in Sibiu, building on the Bratislava Roadmap and the Rome Declaration, sets out a clear and positive agenda for the Union at 27. The European Parliament elections saw a surge in democratic engagement with the Union, with the highest turnout in European elections for 20 years, and a campaign more focused on European issues than ever before.

This backdrop provides a new sense of momentum and urgency for the final phase of work on the future financial framework. Uncertainty over, for example, the terms and timing of the United Kingdom’s departure from the Union does not mean that important decisions should be deferred. On the contrary, it makes it all the more important that the Union moves forward on its positive agenda with confidence and optimism.

Negotiations on the long-term budget are fundamentally about political priorities and how to deliver them. The stakes are high, the issues complex and there are delicate balances to be struck, but ultimately the success of these negotiations will depend on political will.

The Commission therefore calls on the June European Council to set out a roadmap for reaching an agreement on the future long-term budget in the autumn.

The Commission will do its utmost to support the European Parliament and the Council in equipping the Union with the modern long-term budget it needs to respond to the challenges and seize the opportunities that lie ahead.

² Contrary to the previous period, the new multiannual financial framework will need to be accompanied by an increase in the ceilings established in the own resources decision to ensure that the Union is able – under any circumstances – to fulfil its financial obligations.