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P7\_TA(2014)0378

**MFF negotiations 2014-2020: lessons to be learned and the way forward****European Parliament resolution of 15 April 2014 on negotiations on the MFF 2014-2020: lessons to be learned and the way forward (2014/2005(INI))**

(2017/C 443/03)

*The European Parliament,*

- having regard to the proposal for a Council regulation laying down the multiannual financial framework (MFF) for the years 2014-2020 (COM(2011)0398), amended on 6 July 2012 (COM(2012)0388), and to the Draft Interinstitutional Agreement (IIA) between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management (COM(2011)0403),
  - having regard to its consent of 19 November 2013 to the MFF Regulation <sup>(1)</sup>, in accordance with Article 312 of the Treaty on the Functioning of the European Union, and to its approval, on the same day, of the conclusion of the IIA <sup>(2)</sup>,
  - having regard to the MFF and IIA, as finally adopted on 2 December 2013 and published in the Official journal on 20 December 2013,
  - having regard to its resolution of 8 June 2011 on 'Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe' <sup>(3)</sup>,
  - having regard to its resolution of 23 October 2012 in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure <sup>(4)</sup>,
  - having regard to its resolution of 13 March 2013 on the European Council conclusions of 7-8 February 2013 concerning the Multiannual Financial Framework <sup>(5)</sup>,
  - having regard to its resolution of 3 July 2013 on the political agreement on the Multiannual Financial Framework 2014-2020 <sup>(6)</sup>,
  - having regard to its resolution of 12 December 2013 on relations between the European Parliament and the institutions representing the national governments <sup>(7)</sup>,
  - having regard to Rule 48 of its Rules of Procedure,
  - having regard to the report of the Committee on Budgets and the opinions of the Committee on Constitutional Affairs, the Committee on Employment and Social Affairs, the Committee on Regional Development and the Committee on Civil Liberties, Justice and Home Affairs (A7-0254/2014),
- A. whereas the agreement on the MFF 2014-2020 was the outcome of long and strenuous negotiations that lasted two and a half years; whereas the final political agreement could only be reached at the highest political level between the three Presidents (Parliament, the Council Presidency and the Commission) according to Article 324 of the TFEU;

<sup>(1)</sup> Texts adopted, P7\_TA(2013)0455.

<sup>(2)</sup> Texts adopted, P7\_TA(2013)0456.

<sup>(3)</sup> OJ C 380 E, 11.12.2012, p. 89.

<sup>(4)</sup> OJ C 68 E, 7.3.2014, p. 1.

<sup>(5)</sup> Texts adopted, P7\_TA(2013)0078.

<sup>(6)</sup> Texts adopted, P7\_TA(2013)0304.

<sup>(7)</sup> Texts adopted, P7\_TA(2013)0599.

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- B. whereas the overall level of the next MFF (EUR 960 billion in commitments, EUR 908 billion in payments at 2011 prices), as decided by the European Council and eventually endorsed by Parliament, represents 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; whereas this level falls short of EU political goals and commitments, in particular in relation to the Europe 2020 strategy;
- C. whereas the EU annual budget will continue to represent approximately 1 % of EU GNI in the coming years, a level reached already in the early 1990s, and well below the own resources ceiling of 1,29 % of EU GNI for commitments and 1,23 % of EU GNI for payments, as decided initially in 1992 and reconfirmed in 2010;
- D. whereas, faced politically with the impossibility of changing the overall MFF figures decided by the European Council, Parliament 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 and to allow the MFF ceilings to be used to the fullest possible extent; whereas these provisions concern, 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 (Joint Declaration on own resources);
- E. whereas, in adherence to the guiding principle that 'nothing is agreed until everything is agreed', Parliament gave its consent to the new MFF Regulation and approved the new Interinstitutional Agreement on 19 November 2013, following the Council's fulfilment of the conditions set out in Parliament's resolution of 3 July 2013, including the adoption of an additional EUR 11,2 billion in payments for 2013;
- F. whereas the Council failed to make any progress on a much needed reform of the current system for financing the EU budget, despite the ambitious proposals put forward by the Commission aimed not only at overcoming the stalemate caused by the lack of a genuine own resources system but also at making the system of financing the EU budget simpler, fairer and transparent to EU citizens;
- G. whereas, following the agreement on the MFF 2014-2020, the MFF remains non-coterminous with the mandates of the Parliament and Commission whose terms begin in 2014;
- H. whereas the possibilities made available in the Treaty of Lisbon to modify the decision-making procedures for the MFF and own resources decisions were not exploited;
1. Strongly regrets 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; considers it of the utmost importance, therefore, that this report draw the necessary political and institutional lessons, which can serve as a basis for the preparation of future negotiations, notably in relation to the post-electoral revision of the MFF, due to be launched by the Commission before the end of 2016 at the latest;

### ***Political considerations***

2. Acknowledges that the fiscal consolidation that Member States are currently facing made a more ambitious agreement on the MFF 2014-2020 infeasible; deeply regrets, however, the fact that the role of the EU budget as an important and common policy instrument for overcoming the current economic and social crisis was not properly recognised; points out that the EU budget is primarily an investment budget that offers a unique framework for coordinating and enhancing national efforts made to regain growth, stimulate competitiveness and generate employment in the whole EU;
3. Is deeply concerned at the fact that budgetary debates in the Council have been for many years poisoned by the logic of 'fair returns' instead of being driven by the logic of the European added-value; considers that, while this debate already existed before the introduction of a GNI-based resource, the situation has seriously intensified due to the current system of EU financing, whereby some 74 % of revenues stem from national contributions based on GNI instead of genuine own resources, as foreseen in the Treaty of Rome and all successive EU Treaties; considers that such a system places disproportionate emphasis on net balances between the Member States and has led to the progressive introduction of complex and opaque rebates and other correction mechanisms for the financing of the EU budget;

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4. Believes that this logic also prevailed in the way the MFF agreement was struck by the European Council on 8 February 2013; considers it regrettable that this was reflected in the fact that the national allocations, especially from the two biggest areas of expenditure in the EU budget, agriculture and cohesion policy, were determined at that moment; criticises, 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, trying to secure their national interests and maximise their net returns; denounces the lack of transparency in striking this agreement and the reluctance of the Council and the Commission to provide Parliament with all relevant documents; highlights that the European added value should prevail over national interests;

5. Strongly rejects this purely accounting vision of the EU budget, which disregards the European added value, contradicts the principle of EU solidarity and underestimates the current and potential role of the EU budget in strengthening economic governance; stresses that the EU budget is predominantly an investment budget with a strong leverage effect that makes possible a number of projects that would otherwise be difficult or impossible to implement, a catalyst for growth, competitiveness and jobs across the Union and a powerful agent for reform; strongly regrets, therefore, that some Member States seem to regard national contributions to the EU budget purely as a cost to be minimised;

6. Regrets that the European Council took a top-down approach to deciding the overall size of the MFF 2014-2020, which in turn demonstrates a worrying discrepancy between EU political commitments which the European Council has been making and its reluctance to adequately finance them; believes, on the contrary, that this decision should be based on a bottom-up process, resulting from a thorough assessment of EU financial needs and political objectives as set out in EU multiannual programmes and policies defined by the legislative authority;

7. Is, therefore, convinced 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 and on its compatibility with the political strategy adopted by the Union and operational priorities and objectives assigned to the Union; considers that, in order to bridge the gap between divergent visions on what the EU budget stands for and what it can achieve, this debate should be organised in due time and involve the three EU institutions and all national parliaments, but also engage the highest political level in the Member States;

8. Is convinced, moreover, that tangible progress can only be achieved following an in-depth reform of the financing of the EU budget that should respect the letter and the spirit of the Treaty and return to a system of genuine, clear, simple and fair own resources; stresses that the introduction of one or several new own resources will reduce the share of GNI-based contributions to the EU budget to a minimum and, accordingly, reduce the burden on national treasuries; reiterates its strong commitment to any process leading to the reform of the system of own resources, which is currently characterised by its complexity, opacity and inefficiency; regrets that the final Council agreement on own resources is even more complex than the previous one since it has introduced new rebates and exceptions;

### ***Institutional considerations***

9. Recalls 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, with the report of its specialised SURE Committee, in June 2011; believes that this early preparation helped Parliament to establish a large consensus on political priorities and remain united throughout the subsequent negotiating process; considers further that this report provided guidance for the Commission in drafting its own proposals on the MFF and own resources and appreciates the regular political dialogue that was established between the two institutions at all stages of the preparation of this report; considers that this practice should be further developed into a more structured dialogue between the two institutions ahead of the presentation of any MFF proposals;

10. Recalls that, pursuant to Article 312 TFEU, the Council unanimously adopts the MFF Regulation after obtaining the consent of Parliament, while the three EU institutions 'shall take any measure necessary to facilitate its adoption'; notes, therefore, that the Treaty does not set out any concrete procedure for the involvement of Parliament in the MFF negotiations and that these modalities were subsequently determined in practice through a number of ad hoc arrangements agreed at political level at Parliament's initiative;

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11. Considers it regrettable that, prior to the European Council agreement on the MFF of 8 February 2013, no meaningful negotiations were held between Parliament and the Council; considers that the numerous meetings held between its negotiating team and the successive Council presidencies on the margins of the relevant General Affairs Council meetings, and its participation in informal Council meetings dealing with the MFF, facilitated only some information-sharing between the Council and Parliament; sees, therefore, the need for Parliament to build further on the experience acquired and 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;

12. Deplores the fact that, 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; stresses that the legally required unanimity in the Council on the MFF Regulation could only be achieved by pre-empting certain major policy changes in EU sectoral policies, thereby hindering, in clear contradiction with the Treaties, Parliament's prerogatives under co-decision, and in particular its right to amend on an equal footing with the Council;

13. Notes that genuine negotiations on the MFF Regulation and the IIA were launched only in May 2013, with Council negotiators not having a formal negotiating mandate but instead considering the MFF agreement by the European Council as the only point of reference, with no margin for any discussion; stresses that this attitude not only led to an unnecessary loss of time but also to the unacceptable attempt by Council to exclude certain topics from the negotiations, forcing Parliament to struggle, including at the highest political level, in order to engage in negotiations on every article of the MFF Regulation / IIA;

14. Recalls that, according to the Treaty, the European Council does not exercise legislative functions; insists, therefore, that the conclusions of the European Council are to be seen as negotiating instructions for the Council and that they in no case constitute red lines which cannot be negotiated with Parliament; calls for a standard formula recalling the provisions of Article 15(1) TFEU to be included in the conclusions of the European Council;

15. Deeply regrets the fact that the same problem marked the negotiations on EU multiannual programmes, notably in agriculture and cohesion policy; notes that the Council refused in several instances even to refer to the 'MFF-related aspects' of those legal bases; stresses the considerable effort and time that was needed by Parliament to ensure that all points of the legal bases decided by co-decision between the Council and Parliament remained on the negotiating table; notes with satisfaction that Parliament's negotiators were eventually successful in challenging some parts of the European Council agreement;

16. Notes that the MFF figures (overall level and distribution per heading), as decided by the European Council, were not challenged in the end by Parliament, which acknowledged the particularly difficult economic and financial context at the time of this decision; stresses, however, that this should by no means be perceived as a precedent and reiterates its position that the MFF figures, and every other part of the European Council's relevant political agreement, are subject to negotiations with Parliament;

17. Stresses the need 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; considers that these modalities should be formalised in an agreement at the highest political level, which should take account of the shortcomings of the recent negotiations and fully safeguard Parliament's role and prerogatives, as set out in the EU Treaty; considers that this procedure should eventually be enshrined in the IIA itself, as is the case for the budgetary procedure;

18. Points to the tremendous amount of information exchange and coordination required inside Parliament to ensure consistency in the parallel negotiations of the MFF and the legislative bases of over 60 multiannual programmes; underlines that it is of high importance to distinguish the issues that are to be adopted by codecision and keep them in the remit of the respective committees to the maximum extent possible; suggests that in the next MFF negotiations the European Parliament should approach the legislative proposals in parallel and finally adopt them as a package, applying the principle that nothing is agreed until everything is agreed to the maximum extent possible;

19. Is convinced that the unanimity rule in the Council means that the agreement represents the lowest common denominator, based on the need to avoid the veto of a single Member State; stresses that a shift towards qualified majority voting for the MFF Regulation would be in line not only with the ordinary legislative procedure, used for the adoption of virtually all EU multiannual programmes, but also with the annual procedure for adopting the EU budget;

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20. Notes that 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; recalls, moreover, that Article 312(2) TFEU in any case allows for the adoption of qualified majority voting for the MFF; urges the European Council to use both these passerelles for their intended purpose in order to streamline decision-making in the Council and to limit the extent to which the politics of national 'juste retour' prevail over the articulation of the common interest of the Union as a whole;

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21. Declares its intention to ensure that all new provisions that were successfully incorporated into the MFF Regulation and IIA are utilised in full in the annual budgetary procedure; expects that the Council will not attempt to impose restricted interpretations of these provisions, especially on the nature and scope of all special instruments, but that it will instead act responsibly and approve the necessary appropriations to meet both its previous commitments and unforeseen expenditure even if, as a result, the annual MFF ceilings need to be exceeded; recalls, in that context, that the MFF 2014-2020 ceilings have been set far below the own resources ceilings;

22. Places particular emphasis on the new rules on flexibility that should allow maximum use of the respective MFF ceilings for commitments and payments; stresses that the practice of previous financial frameworks whereby the annual EU budget remained far below the MFF ceilings, particularly in payment appropriations, can no longer be sustained;

23. Stresses, in this context, that the accumulated RALs have reached a critical level that might eventually lead the EU budget into structural deficit against the provisions of the Treaty (Articles 310 and 323 TFEU); is deeply concerned that the amount of unpaid bills at the end of the year has been constantly growing since 2011 (EUR 23,4 billion at the end of 2013 from cohesion policy alone), which will put significant pressure on the payment ceilings of the MFF 2014-2020; stresses the need to set the annual payments' ceilings of the MFF accurately by taking due account of, *inter alia*, the dynamics of cohesion policy, including the timing of programming, implementation, final closure of the programmes and decommitments;

24. Emphasises that the purpose of the global margin for commitments is to support investments for growth and employment in Europe, and in particular youth employment; recalls that this instrument was an initiative by the European Parliament;

25. Recalls that the next Commission, which will come into office after the 2014 European elections, is due to launch a compulsory review and revision of the MFF 2014-2020 by the end of 2016; underlines the fact that this post-electoral MFF review/revision clause was one of Parliament's key demands in the MFF negotiations, based on the need to allow the next Commission and Parliament to reassess the EU's political priorities, hence endowing the MFF with renewed democratic legitimacy; emphasises that, following the economic crisis, investment levels in Europe dropped significantly between 2008 and 2012 and recalls that according to some estimates<sup>(1)</sup>, this will cost the continent EUR 540 billion in lost returns by 2020;

26. Stresses the need, in view of the post-electoral MFF review/revision, for the next Parliament to reflect in good time on political priorities, i.e. to identify areas for which more investments will be deemed necessary in the second half of the MFF 2014-2020; invites, for this purpose, the next Commission and the next Parliament to carefully evaluate the achievements of the targets of the Europe 2020 strategy, particularly in terms of employment and combatting the economic crisis, as well as the performance of key EU programmes, like Horizon 2020, in order to focus on areas of proven added value of EU spending and for which additional financial resources will be required;

27. Calls for the MFF mid-term review to prepare for an eventual reduction in the period for which the next MFF is agreed, so as to ensure its subsequent renegotiation during the mandate of each Parliament and Commission, thus ensuring full democratic legitimacy for regular decisions on the financial perspectives of the Union, while taking steps to meet the need for stability of programming cycles and for investment predictability; strongly believes that a five-year MFF cycle would enhance democratic legitimacy, improve the prioritisation of budgetary means and could be considered a precondition for more political debate;

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<sup>(1)</sup> Address by the Chairman of the Board of Governors of the EIB during 2014 European Interparliamentary Week, 21 January 2014.



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28. Stresses 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; recalls that this process will not have a downward impact on any pre-allocated national envelopes, including the ESF share of these national envelopes; expects, in this context, the Commission to provide Parliament and Council with identical and consistent data on figures and estimates in order to avoid misunderstandings in the negotiations with regard to the basis of discussion;

29. Stresses the need to stimulate a broad and open discussion on the results achieved with the EU's funding programmes, and in particular an assessment of the extent to which these programmes contribute to the achievement of the Europe 2020 objectives;

30. Emphasises that innovative financial instruments such as the European project bonds can have a very important role to play in stimulating much needed investments if designed correctly; urges the Commission in this regard to make optimal use of the upcoming evaluation also in the context of the review/revision of the MFF 2014-2020;

31. Welcomes the Joint Declaration by the three institutions agreed in the context of the MFF negotiations according to which the annual budgetary procedures will integrate, as appropriate, gender-responsive elements, taking into account the ways in which the overall financial framework of the Union contributes to increased gender equality (and ensures gender mainstreaming); stresses that these principles should be integrated into the Commission's proposals on the MFF revision;

32. Reiterates its intention to make the compulsory MFF revision a key demand in the investiture of the next Commission; calls, therefore, on the next European Parliament to 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;

33. Notes that the new Rules 70 and 70a (interinstitutional negotiations in legislative procedures) of Parliament's Rules of Procedure will apply for the next round of negotiations; recommends that, early in Parliament's next mandate, the committee responsible for the Rules of Procedure be asked to look at rationalising those rules with Rule 75 (MFF), Rule 75c (financial dialogue) and Rule 81(3) (consent procedure) with a view to drafting a single coherent Rule specific to the special legislative procedures laid down in Articles 311 and 312 TFEU concerning the determination of the mandate, the conduct of the dialogues (including the role of the President), and scrutiny by the plenary;

34. Considers that, at the time of the next revision of the Treaties, the Convention should make proposals for a system of genuine codecision between the Council and Parliament on the adoption of the MFF and own resources decisions;

35. Strongly believes that the High Level Group on Own Resources represents a unique opportunity to overcome the deadlock that has arisen over the reform of the current own-resources system; expects that it will contribute significantly to understanding the shortcomings of the current system and the benefits that can derive from an in-depth, comprehensive reform and the introduction of new and genuine own resources which can significantly reduce the share of GNI contributions to the EU budget;

36. Recalls that the High Level Group has a mandate to examine all aspects of the reform of the own resources system; is firmly committed to working intensively, through its three representatives, at all stages of this process and to bringing it to a successful conclusion; counts on the Council's equal 'ownership' and commitment to this process; emphasises the need to raise awareness also among national parliaments of the issues at stake; stresses that the findings and conclusions of this High Level Group should be ready in good time to be considered during the 2016 MFF review/revision, in order to pave the way for possible reforms to become operational by the next multiannual financial framework;

37. Expresses its firm conviction that any new fiscal capacity or budget developed specifically for eurozone Member States whose fiscal functions are not covered by the MFF must be developed within the Union framework and must be subject to proper democratic scrutiny and accountability through the existing institutions;

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38. Instructs its President to forward this resolution to the European Council, the Council, the Commission and the national parliaments.

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