

February 2018

## The European Council and the Multiannual Financial Framework

### Introduction

EU Heads of State or Government will hold their first discussion on the post-2020 Multiannual Financial Framework (MFF) at the informal European Council of 23 February 2018. Since the first binding MFF was laid down in an interinstitutional agreement in 1988, the European Council has invariably played a central role in the process leading to its adoption.<sup>i</sup>

With the entry into force of the Treaty of Lisbon, the MFF was for the first time given a legal basis in the EU Treaties and a new procedure was introduced for its adoption. The MFF is now laid down in a regulation adopted by the Council, acting in accordance with a special legislative procedure, once European Parliament consent is obtained. The post-2020 MFF process will represent the second full application of this new procedure, following the negotiations on the MFF for 2014-2020.<sup>ii</sup>

The Treaty of Lisbon also established the European Council as one of the seven institutions of the European Union and defined its role and powers. In accordance with Article 15(1) TEU, the European Council 'shall provide the Union with the necessary impetus for its development and shall define the general political directions and priorities thereof'. Moreover, the European Council 'shall not exercise legislative functions'.

Notwithstanding this prohibition on the exercise of legislative functions, and despite the lack of a formal role assigned to it in the financial provisions of the Treaties (Articles 310 to 324 TFEU), the European Council – as was already the case prior to the Lisbon Treaty – played a central role in the 2014-2020 MFF negotiation. Acting on the basis of its competence to 'define the general political directions and priorities', the European Council adopted detailed conclusions on the MFF, which purported to define the MFF ceilings and the financial envelopes for all policy sectors for the seven-year MFF period. In its [resolution](#) of 15 April 2014 on the lessons to be learned from the 2014-2020 negotiations, the European Parliament identified the impact of the European Council's involvement in the Parliament's legislative prerogatives as a matter of particular concern.

The aspects most often considered when assessing the MFF and its negotiation process are the overall size of the budget, own resources, national bargaining positions, and the tensions between net beneficiary and net contributor countries.<sup>iii</sup> To date, only limited attention has been paid to the role of the European Council. This Briefing analyses the European Council's involvement in the process of adopting the 2014-2020 MFF during the different negotiation phases and outlines the concerns expressed by the Parliament in this respect. It also provides an indicative timeline and potential milestones for the post-2020 MFF negotiations and looks at the possible role of the European Council in this process, thereby attempting an initial assessment of possible similarities with and differences to the 2014-2020 MFF negotiations.

### 1. European Council and the 2014-2020 MFF decision-making process

The negotiations for the 2014-2020 MFF were the first MFF negotiations successfully completed under the new legal framework introduced by the Treaty of Lisbon. Although the European Council is not expressly mentioned in the Treaties as an institutional actor in the legislative procedure leading to the adoption of the MFF, experts nevertheless consider that the MFF process for 2014-2020 was 'dominated' by the

European Council,<sup>iv</sup> which adopted detailed conclusions on the MFF on the basis of its over-arching competence to define the 'general political directions and priorities' of the Union.

### **1.1 Legal framework and contents of the MFF package**

Prior to the Treaty of Lisbon, the MFF was enshrined in an interinstitutional agreement. As provided in Article 312(2) TFEU, the MFF is now laid down in a regulation adopted by the Council, acting by unanimity in accordance with a special legislative procedure, after obtaining the consent of the European Parliament.

#### **Box 1 – [Article 312](#) TFEU**

1. The multiannual financial framework shall ensure that Union expenditure develops in an orderly manner and within the limits of its own resources.

It shall be established for a period of at least five years. The annual budget of the Union shall comply with the multiannual financial framework.

2. The Council, acting in accordance with a special legislative procedure, shall adopt a regulation laying down the multiannual financial framework. The Council shall act unanimously after obtaining the consent of the European Parliament, which shall be given by a majority of its component members.

The European Council may, unanimously, adopt a decision authorising the Council to act by a qualified majority when adopting the regulation of the Council referred to in the first subparagraph.

3. The financial framework shall determine the amounts of the annual ceilings on commitment appropriations by category of expenditure and of the annual ceiling on payment appropriations. The categories of expenditure, limited in number, shall correspond to the Union's major sectors of activity.

The financial framework shall lay down any other provisions required for the annual budgetary procedure to run smoothly.

4. Where no Council regulation determining a new financial framework has been adopted by the end of the previous financial framework, the ceilings and other provisions corresponding to the last year of that framework shall be extended until such time as that act is adopted.

5. Throughout the procedure leading to the adoption of the financial framework, the European Parliament, the Council and the Commission shall take any measure necessary to facilitate its adoption.

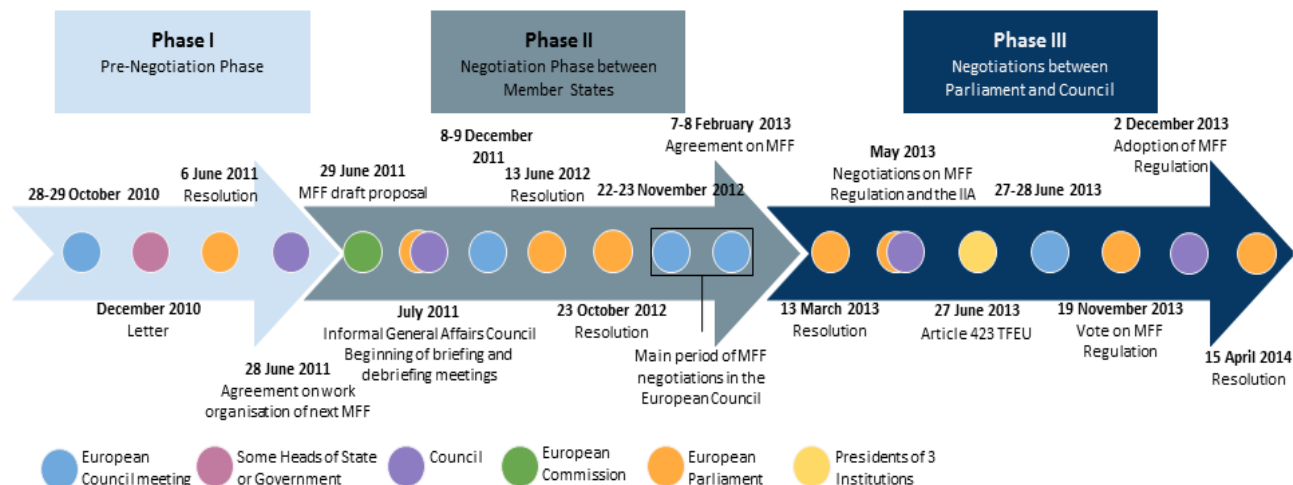
The European Council is not expressly mentioned in Article 312 TFEU as a participant in the special legislative procedure. The only reference to the European Council is found in the second paragraph of Article 312(2) TFEU, which envisages that the European Council may authorise the Council to act by qualified majority when adopting the MFF Regulation.

In terms of content, the MFF Regulation fixes ceilings on expenditure corresponding to the Union's major policy fields for a period of at least five years. The EU's annual budgets must respect these ceilings. Although the European Parliament is one arm of the budgetary authority and also co-decides on about 60 sectoral regulations establishing funding programmes, it is only consulted on new own resources decisions, which, in practice, are always adopted together with the MFF Regulation. This discrepancy in the involvement of the Parliament has turned out to be one of the major challenges of the MFF negotiation process.

### **1.2 Main phases of the negotiations on the 2014-2020 MFF**

The process of deciding on the 2014-2020 MFF ran from October 2010 to December 2013, and developed in three phases: (i.) pre-negotiation phase (28 October 2010-28 June 2011), starting with the first reference to the next MFF in the European Council conclusions; (ii.) negotiations between Member States, opening with the Commission's proposal for the MFF on 29 June 2011, continuing through deliberations in the General Affairs Council,<sup>v</sup> and concluding with the political agreement between Heads of State or Government on 8 February 2013; and (iii.) formal negotiations between the Council and European Parliament, starting after the agreement in the European Council and lasting until the adoption of the MFF on 2 December 2013. Figure 1 outlines the major events of and contribution by the main EU actors during the process, and shows that the European Council discussed the MFF in all phases, but was particularly active in phase two, when the deliberations in the Council were suspended for several months while the dossier was referred in its entirety to the European Council.

**Figure 1 – Key developments in the 2014-2020 MFF negotiations**



Source: EPRS.

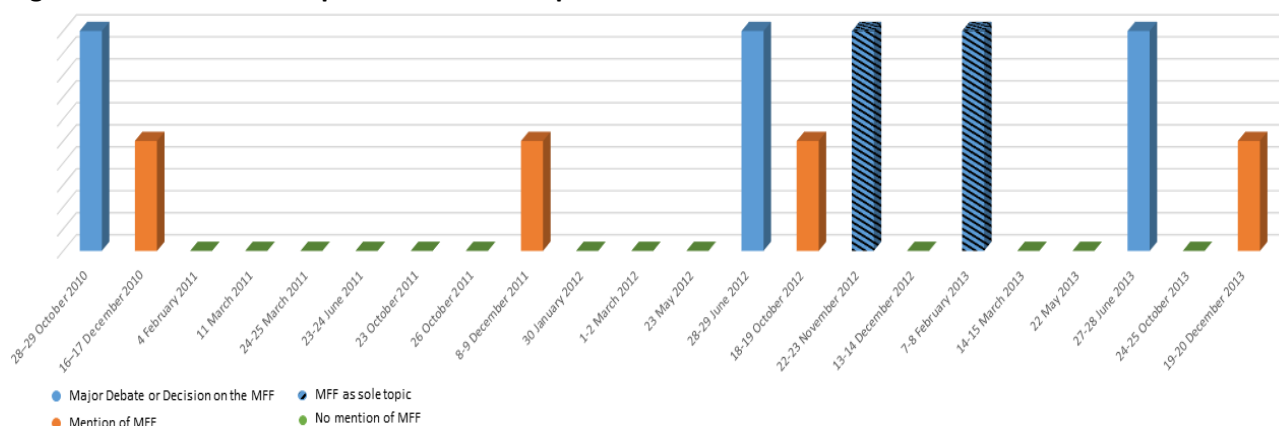
**Table 1 – Timeline for 2014-2020 MFF negotiation process**

Date	Action/ Event	Actor
28-29 October 2010	Meeting	European Council
18 December 2010	Letter to freeze new MFF at inflation level	Five Heads of State or Government
6 June 2011	<a href="#">Resolution</a>	European Parliament
28 June 2011	<a href="#">Common approach</a> on how to organise the work of the next MFF	Council
29 June 2011	MFF regulation <a href="#">proposal</a>	European Commission
July 2011	Informal General Affairs Council: Start of the briefings and debriefings	Council and Parliament
8-9 December 2011	Discussions on MFF	European Council
13 June 2012	Resolution	European Parliament
23 October 2012	Resolution	European Parliament
22-23 November 2012	<a href="#">European Council meeting</a>	European Council
7-8 February 2013	Agreement on MFF	European Council
13 March 2013	Resolution	European Parliament
13 May 2013	Formal negotiations on the MFF regulation	EP and Council
27 June 2013	<a href="#">Political agreement</a>	Presidents of three EU institutions
27-28 June 2013	Meeting	European Council
19 November 2013	Vote on MFF regulation	European Parliament
2 December 2013	Adoption of MFF <a href="#">Regulation</a>	Council
15 April 2014	EP 'lessons learned' resolution	European Parliament

### 1.3 Discussions in the European Council

The European Council played a significant role throughout the whole MFF negotiation process, from the first European Council conclusions regarding the 2014-2020 MFF on 28-29 October 2010 and the adoption of the MFF regulation on 2 December 2013. However, the level of attention Heads of State or Government leaders devoted to the MFF during that time period varied, with particular attention paid from June 2012 to June 2013. Of the total 22 European Councils that took place in this period, EU Heads of State or Government addressed the 2014-2020 MFF at 9 European Council meetings between October 2010 and December 2013 (see Figure 2). Two European Council meetings were almost entirely devoted to the MFF in November 2012 and February 2013, so that MFF received the European Council's full attention during a concentrated period of three to four months. The focus of the Heads of State or Government on the MFF can be explained by the fact that they were tackling the economic and financial crisis at the time and, until the European Council meeting of November 2012, technical negotiations were taking place at the level of the General Affairs Council.

**Figure 2 –2014-2020 MFF process at the European Council between October 2010 and December 2013**



Source: EPRS.

Of the nine meetings where the European Council addressed the MFF, Heads of State or Government discussed the topic with varying intensity. On five occasions, EU leaders had significant discussions and/or made decisions, while at four meetings the discussions were brief and less significant.<sup>vi</sup> Table 2 indicates the European Council's main issues or statements on the MFF.

**Table 2 – European Council statements on the 2014-2020 MFF process**

European Council meeting	Major debate or decision	Mention only	Main issue or statement
28-29 October 2010	x		Next MFF shall reflect Member States' consolidation efforts.
<a href="#">16-17 December 2010</a>		x	Presidency update on negotiations. (But) final stage for negotiation foreseen for European Council of June 2012.
9 December 2011		x	Set the aim of adopting the MFF by end of 2012.
28-29 June 2012	x		Discussion on the negotiation to date. Message: The next MFF is important for strengthening growth and employment. Final deliberation in European Council set for November 2012.
<a href="#">18-19 October 2012</a>		x	The European Council will devote a special meeting in November 2012 to reaching agreement on the next MFF and ensure that it is adopted by the end of the year.
22 November 2012	x		A moderation budget and one for growth. First attempt to reach agreement on the MFF. Negotiations failed and the President of the European Council was given a mandate, together with the President of the Commission, to continue bilateral exchanges with the Member States with a view to reaching a deal in February 2013.
7-8 February 2013	x		Political agreement.
27-28 June 2013	x		UK rebate and use of MFF for youth employment.
<a href="#">19-20 December 2013</a>		x	Welcomes the adoption of the 2014-2020 MFF.

#### 1.4 Phase 1 – Pre-negotiation

EU budget discussions between the Heads of State or Government have historically been characterised by a cleavage between net contributors and net beneficiaries, which intensified following the EU enlargements of 2004 and 2007.<sup>vii</sup> This dividing-line was particularly apparent during the negotiations for the 2014-2020 MFF, due to the impact of the financial and economic crisis on Member States' national budgets.

Early in the process, the 28-29 October 2010 European Council meeting marked a critical and decisive juncture for the outcome of the 2014-2020 MFF process. Heads of States or Government already [declared](#) that 'it is essential that the European Union budget and the forthcoming Multiannual Financial Framework reflect the consolidation efforts being made by Member States to bring deficit and debt on to a more sustainable path'. This was followed by the [letter](#) of 'the five' of 18 December 2010 – namely Finland,

France, Germany, the Netherlands and the United Kingdom – to the European Commission President, in which they stated that 'payment appropriations should increase, at most, by no more than inflation over the next financial perspectives', thereby effectively seeking to cap the next MFF. These early statements by the European Council, and a group of important Member States, preconditioned the result of the negotiations on the 2014-2020 MFF, long before the European Commission presented its proposal, or Council and Parliament began negotiations.

### **1.5 Phase 2 – Negotiations between Member States**

Phase two began with the publication of the European Commission's [proposal](#) for the MFF Regulation for 2014-2020 on 29 June 2011. While the European Council frequently made references to the MFF negotiations, Heads of State or Government themselves became involved in the negotiations only from the European Council [meeting](#) of 28-29 June 2012. Up until that point, deliberations on the Commission's MFF proposals proceeded within the General Affairs Council (GAC). At this stage, the EP was also invited to briefing and debriefing meetings with the GAC, around every such GAC meeting on the MFF.<sup>viii</sup> This practice was established to give effect to Article 312(5) TFEU, which stipulates that 'throughout the procedure leading to the adoption of the financial framework, the European Parliament, the Council and the Commission shall take any measure necessary to facilitate its adoption'. Once the deliberations within the GAC were sufficiently developed, the discussions at Council level, as well as briefing/debriefing meetings with the Parliament, were suspended, while the dossier was transmitted to the European Council for a global deliberation on figures, including the levels of the MFF and own resources ceilings and the amounts of the sectoral financial envelopes.

At its June 2012 meeting, the European Council stressed 'the importance of the next MFF for strengthening growth and employment'. Of the six European Council meetings held between the publication of the Commission proposal and the June 2012 European Council, the only meeting that addressed the next MFF was the summit of 9 December 2011, which [called](#) for adoption of the MFF by the end of 2012. This deadline was not ultimately met, as the European Council of 22-23 November 2012 could not reach an agreement, despite significant convergence of the different positions.<sup>ix</sup> At that meeting, the Heads of State or Government gave the European Council President a mandate to continue bilateral discussions with the individual Member States, with a view to finding an agreement at the next meeting of 7-8 February 2013. There, Heads of State or Government came to a [political agreement](#), which capped commitments at one per cent of total EU gross national income (GNI). In its detailed 48-page conclusions, the European Council set out the precise figures to be inserted in the entire MFF legislative package – an involvement which [many](#) in the Parliament considered as going against the letter of the Treaty. Herman Van Rompuy, the President of the European Council at the time, [underlined](#) that 'for the first time ever, there is a real cut compared to the last MFF' and that, in his view, it was a 'balanced and growth-oriented budget'.

### **1.6 Phase three – Negotiations between Council and European Parliament**

Once Heads of State or Government had reached a political agreement, negotiations between the European Parliament and the Council began. At that moment, EU leaders also [stressed](#) that the 'legislative texts now need to be adopted as soon as possible'. Parliament's first reaction to the political agreement, its [resolution](#) of 13 March 2013, was very negative, but it agreed to 'enter into fully fledged negotiations with the Council'. The Irish Presidency of the Council received the mandate to begin negotiations with the Parliament. This mandate was very limited in scope and did not envisage any deviation from the total amount for the MFF agreed on by EU leaders. Negotiations began on 13 May 2013, and the Presidents of the European Parliament, the Commission and the Council reached a [political agreement](#) on 27 June 2013, which was [endorsed](#) by the Council the following day.

Heads of State or Government welcomed the agreement reached by the Parliament, Council and Commission on the MFF, after they themselves participated in some intense last-minute discussions regarding first and foremost the UK rebate at the [27-28 June 2013](#) European Council.<sup>x</sup> While their [conclusions](#) of 27-28 June 2013 only included a brief statement on the use of the remaining available margins below the MFF ceilings for the years 2014-2017 to fund measures to fight youth unemployment,

observers report that EU leaders held extensive and serious discussions on the MFF, even leading to two important statements appended to the minutes: the first on the UK rebate, and the second regarding the use of the MFF to support youth employment.<sup>xi</sup> The Parliament gave its formal consent to the MFF [Regulation](#) on 19 November 2013, and it was then adopted by Council on 2 December 2013, which the European Council welcomed in its conclusions of 19-20 December 2013.

### 1.7 European Parliament achievements

Although the European Parliament was not able to change the total amount of the 2014-2020 MFF, which was set by the European Council, observers agree that it did obtain a number of important concessions<sup>xii</sup> (see Box 2) from the Member States, which were, in the opinion of some experts, 'further reaching than most Member States would have deemed desirable or even feasible when the progress started'.<sup>xiii</sup>

#### Box 2 – Main European Parliament achievements in the 2014-2020 MFF negotiations:

- **Flexibility** to carry-over amounts within the overall MFF ceilings across the seven years;
- **Mid-term review** of 2014-2020 financial framework;
- An interinstitutional **High-Level Group** to examine reform of the **own resources system**;
- **Amending budgets in the 2013 budgetary year** to clear a backlog of unpaid bills.

### 1.8 Assessment of European Council role

Addressing the European Parliament about the European Council's role in the MFF process, the then President, Herman Van Rompuy, explained that 'Under the Treaty, [the MFF] is a matter for the Council of Ministers and your Parliament. However, we all know from past experience that it is also one of the areas in which the European Council will inevitably be called on to fulfil its role, under Article 15 of the Treaty, of defining the general political directions and priorities'. As regards the legal effects of the European Council's conclusions on the MFF, he stated that 'all the European Council decided was a mandate – albeit a very strong one – for the ordinary Council and its Presidency to take forward in discussion with the Parliament'.

In practice, the Council's deliberations on the MFF and the briefing/debriefing meetings with the Parliament were suspended for several months from November 2012, while the entire file was referred to the European Council for a global deliberation on the figures to be inserted into the MFF Regulation and the accompanying legislative acts. Article 312 TFEU does not envisage such a referral to the European Council. Moreover, whereas the Treaties envisage that the European Council shall define 'general' political directions and priorities, the contents of the conclusions of 8 February 2013 were precise and detailed. It can be queried whether this is compatible with the prohibition on the exercise of legislative functions laid down in the final sentence of Article 15(1) TEU, particularly since the Council considered itself bound by the European Council's conclusions.

In effect, the European Council determined the Council's position on the MFF Regulation and the accompanying legislative acts, thereby also ensuring that the deliberations on the most sensitive elements of the MFF package were conducted behind closed doors, arguably circumventing the Council's obligation under Article 16(8) TEU and Article 15(2) TFEU to deliberate in public on draft legislative acts. Furthermore, the delay caused by the referral of the file to the European Council meant that very little time remained for negotiations between the Council and the European Parliament following the European Council's conclusions. Ultimately, the figures decided by the European Council were transposed unchanged into the relevant legislative acts by the Council, in the case of the MFF Regulation, and by the Parliament and the Council, in the case of the sectoral regulations.

## 2. European Parliament view on European Council role in MFF process

The European Parliament, for its part, was highly critical of the process leading to the deal on the 2014-2020 MFF and, in particular, on the role played by the European Council. To express its views it adopted a [resolution](#) entitled 'MFF negotiations 2014–2020: Lessons to be learned and the way forward'. The main criticisms included the fact that the European Council played a de facto legislative role, by



predetermining Council's negotiation position, the lack of transparency in the European Council negotiations, as well as the choice of the decision-making method (see Table 3).

**Table 3 – Parliament's main criticisms of the European Council's role in the 2014-2020 MFF negotiations**

Issue	European Parliament comment/criticism
<b>Predetermination of major part of the MFF</b>	'Is deeply concerned at the fact that budgetary debates in the Council have for many years been poisoned by the logic of "fair returns" instead of being driven by the logic of the European added-value; ... 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.'
<b>Rebates and special allocations</b>	'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.'
<b>Decision-making method</b>	'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.'
<b>Lack of negotiations</b>	'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.'
<b>Negotiation position</b>	'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.'
<b>Transparency</b>	'Denounces the lack of transparency in striking this agreement.'
<b>Legislative role</b>	'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.'
<b>Legislative procedure</b>	'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.'

The [draft report](#)<sup>xiv</sup> by the co-rapporteurs on the post-2020 MFF for the European Parliament Committee on Budgets, which prepares the Parliament's position for the upcoming negotiations, recalls this criticism and 'stresses that all elements of the MFF Regulation, including the MFF ceilings, will be part of the MFF negotiations and should remain on the table until a final agreement is reached'.

### 3. Outlook for forthcoming 2021-2027 MFF negotiations

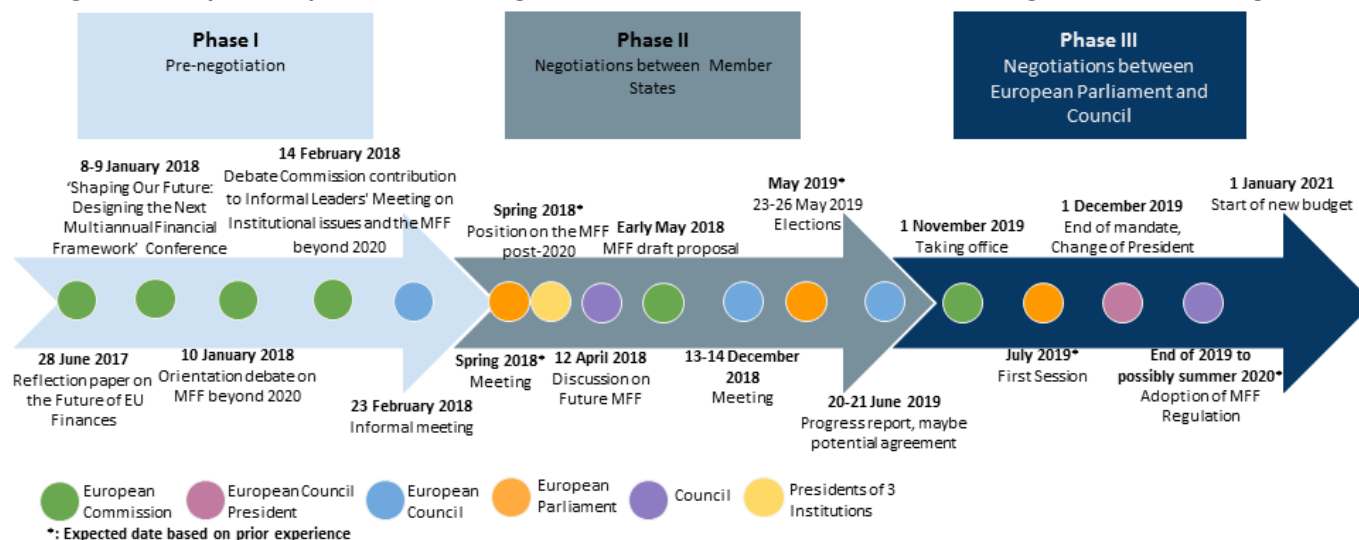
The current MFF will expire at the end of 2020, and discussions have already begun on how the post-2020 EU budget should look. In June 2017, the European Commission presented a [reflection paper](#) on the Future of EU Finances and, on 8-9 January 2018, it organised a [conference](#) where national and European politicians gave their views on the priorities for the next MFF. This section will present an outlook for the upcoming negotiation process on the post-2020 MFF, taking formally announced dates into account, such as the publication date of the European Commission proposal for the post-2020 MFF, the timeline set in the Leaders' agenda, including European Council meetings on the MFF, and views expressed by other EU institutions, as well as assumptions drawing on the experience of the last MFF negotiations. The section will also draw attention to the possible impact of the timetable on the negotiation process and on the implementation of the MFF itself.

#### 3.1 2021-2027 MFF negotiation process as foreseen in the Leaders' Agenda

The [Leaders' Agenda](#) of October 2017 plans a first (informal) European Council meeting on 23 February 2018 to [discuss](#), inter alia, the post-2020 MFF. In order to feed into this process, the European Parliament's Committee on Budgets will adopt a final report ahead of this meeting, with a plenary vote envisaged during the March 2018 plenary session. The Commission has also provided a [contribution](#) for this European Council meeting. It aims to present its proposal by 'early May 2018', thereby opening phase two

of the negotiations.<sup>xv</sup> According to the Leaders' Agenda, the next European Council meeting dedicated to this issue is then planned for 13-14 December 2018, with a further meeting announced for 20-21 June 2019 (see Figure 3). The Leaders' Agenda states that, at that meeting, EU leaders will discuss 'MFF (progress report/discussion aiming for concluding negotiations later in 2019)'. Whether this means that the European Council will express its own position by then, or if the negotiations between the European Parliament and the Council are meant, is not made clear.

**Figure 3 – Key developments in the negotiations on the 2021-2027 MFF according to the Leaders' Agenda**



There appears to be clear divergence in views between the EU institutions concerning the MFF timetable – with the Commission and Parliament preferring an early conclusion, whereas the European Council favours finalisation at a later stage. If a political agreement in the European Council were to be concluded in June 2019 and the timetable of the negotiation process for the 2014-2020 MFF were to be repeated, phase three 'formal negotiations between the EP and Council' would start around September 2019 and could last six to seven months, until December 2019 or early 2020. If the European Council only reaches a political agreement at the end of 2019, Parliament and Council are not expected to reach an agreement before the summer of 2020 at the earliest. Both these scenarios would mean that a new European Parliament would be responsible for concluding the negotiations for the next MFF.

**Table 4 – Main steps in the post-2020 MFF negotiation process according to the Leaders' Agenda**

Date	Action/ Event	Actor
28 June 2017	Reflection paper on the Future of EU Finances	European Commission
8-9 January 2018	Multiannual Financial Framework Conference	European Commission
10 January 2018	Orientation debate on the MFF beyond 2020	European Commission
14 February 2018	Commission input to the Leaders' meeting	European Commission
23 February 2018	Informal meeting	European Council
Spring 2018*	Parliament's position on the MFF post-2020	European Parliament
Spring 2018	Meeting	The three Presidents
<a href="#">12 April 2018</a>	Discussion on future MFF	(General Affairs) Council
Early May 2018, at the latest	MFF draft proposal	European Commission
13-14 December	Meeting	European Council
23-26 May 2019	Elections	European Parliament
20-21 June 2019*	Progress report, maybe political agreement	European Council
1 November 2019	Taking office	European Commission
July 2019*	First session	European Parliament
1 December 2019	End of mandate/Change of President	European Council President
End of 2019 to summer 2020*	Adoption of MFF regulation	Council
1 January 2021	Start of new budget	European Union

\*estimated date based on the Leaders' Agenda and/or previous patterns



Unlike the timeline planned in the Leaders' Agenda, the [European Commission](#) and the European Parliament have expressed their preference for a more ambitious calendar, and strongly stressed the need to finalise the negotiations on the post-2020 MFF ahead of the European Parliament elections in May 2019. In its draft [report](#) on the next MFF, still in preparation, the Parliament's Committee on Budgets signals a readiness to 'enter immediately into a structured dialogue with the Commission and the Council on the post-2020 MFF with the aim of facilitating the subsequent negotiations and enabling an agreement by the end of this parliamentary term'.

A crucial argument in favour of an early conclusion of the MFF negotiations – i.e. before June 2019 – is that, once the MFF is adopted, the Parliament and Council will still need to agree on several sectoral regulations establishing the Union's funding programmes for 2021 onwards. The Parliament's Committee on Budgets recalls in its draft report that 'in previous financial frameworks, the new programmes were essentially launched some years after the beginning of the period'. This view is also [shared](#) by the European Commission. Another significant reason for seeking an early agreement is that the newly elected Parliament may not always feel bound by issues already agreed within the financial framework package, and this could further delay the adoption process. Moreover, with the appointments to the top EU positions taking place in the period directly following the European elections, it is unlikely that the institutions will be able easily to dedicate sufficient time at that moment.

### 3.2 Comparison between the 2014-2020 MFF and the post-2020 MFF negotiations

Whilst the legal framework remains unchanged, a certain number of factors will, or could, differ from the previous period and possibly impact upon the course of the upcoming negotiations. These include the degree of European Council involvement, the role of the European Council President, and the political and economic context.

**Table 5 – Expected similarities and differences in negotiations on the 2014-2020 and the post-2020 MFFs**

Issue	2014-2020 MFF process	Post-2020 MFF process	Comparison
<b>European Council involvement</b>			
Number of main summits	5	3	Different
Sequence of involvement	Early first meeting and then coming back at the end of phase two	Early first meeting and then coming back at the end of phase two	Similar
First discussions in the European Council	8 months before Commission proposal and 38 months before new budget period	3 months before Commission proposal and 34 months before new budget period	Similar
First discussions in the European Council following Commission proposal	17 months	7 months	Different
Negotiation length (from Commission proposal to European Council agreement)	20 months	13 or 19 months*	Different/ or similar
European Council President	Herman Van Rompuy was in the middle of his second mandate at the moment of the final adoption	Donald Tusk will be at the end of his second mandate or already out of office when the MFF is expected to be adopted	Different
<b>Legal, political and economic context</b>			
EU Membership	Enlargement imminent Budget for EU28	Brexit expected Budget for EU27	Different
EU economic climate	Crisis mode	Improved economic situation	Different
Discourse	A number of Member States (e.g. Finland, France, Germany, Netherlands, the UK) fostered the discourse that the GNI contribution should be reduced from the outset.	A number of Member States have openly expressed their support for increasing contributions to the next MFF to above the current ceiling of 1 per cent of EU GNI.	Different

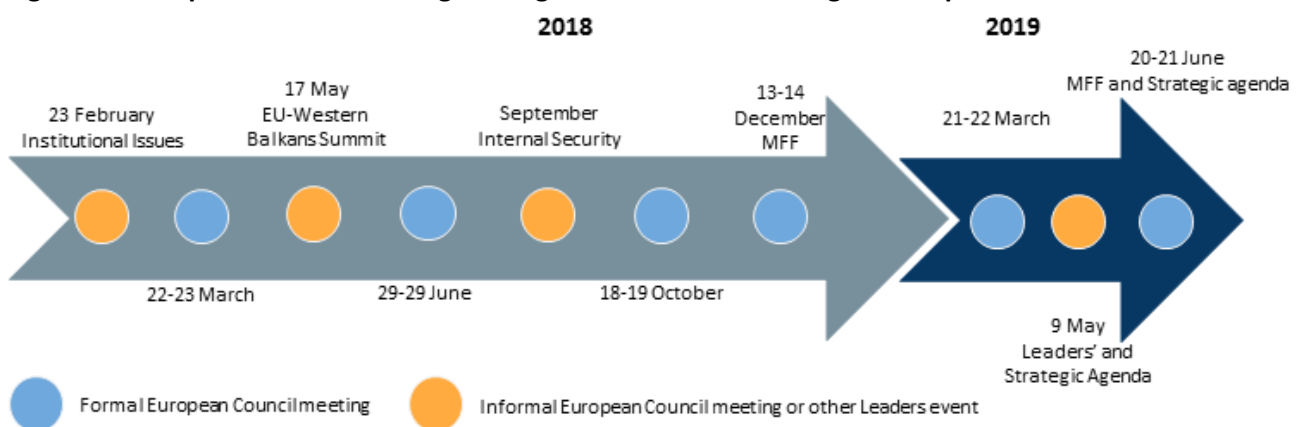
\*based on Leaders' Agenda timeline

### 3.2.1 European Council involvement

If the Leaders' Agenda timetable were to prevail, the 'dominant role that the European Council assumed' in the 2014-2020 MFF negotiations, although not a formal actor, would most likely be enhanced. The Leaders' Agenda envisages a more 'hands-on approach' for Heads of State or Government, and regarding the MFF, an in-depth discussion at European Council level as early as three months before the European Commission presents its proposal. While the 2014-2020 MFF negotiations were indeed significantly shaped by the European Council statement, early in the process, that 'the forthcoming Multiannual Financial Framework [should] reflect the consolidation efforts being made by Member States to bring deficit and debt onto a more sustainable path', the in-depth discussions in the European Council only took place after the publication of the European Commission proposal. This time around, under the timetable announced in the Leaders' Agenda, the European Council would, from the outset, unilaterally decide on a timeline for the negotiations, leading to a conclusion only after the European elections.

Under this scenario, following the informal European Council meeting on 23 February 2018, the file would likely return to the hands of the General Affairs Council, as was the case during the previous negotiations, until the European Council returns to the subject on 13-14 December 2018, and again on 20-21 June 2019 (see Figure 4). During this period, there are ample opportunities for Heads of State or Government to discuss the next MFF, formally or informally, since eight other meetings of Heads of State or Government are planned in the Leaders' Agenda, with the possibility to add more if required.

**Figure 4 – European Council meetings during the 2021-2021 MFF negotiation process**



Source: EPRS.

### 3.2.2 European Council President

The role of Herman Van Rompuy, the European Council President at the time, has been described by observers as central in reaching an agreement in the European Council on the 2014-2020 MFF.<sup>xvi</sup> While the current President is expected to play the same role, there are two significant and related differences. Firstly, whilst Mr Van Rompuy only became directly involved in the MFF negotiations at a late stage in the negotiation process (as he took over responsibility for the negotiations under the Council Presidency from November 2012 onwards),<sup>xvii</sup> Donald Tusk in contrast is attempting to shape the discussions on the post-2020 MFF very early in the process. Mr Tusk used the new working methods of the Leaders' Agenda to [propose](#) a financial instrument dedicated to stemming illegal migration in the next MFF and has set the agenda for the informal European Council of 23 February 2018 to include a political discussion on the post-2020 MFF. Secondly, Mr Tusk will be at a slightly different stage of his mandate as European Council President than his predecessor was. Mr Van Rompuy was in the middle of his second mandate when the European Council agreed on the MFF at its February 2013 meeting, and was involved in the process until the end; and indeed, his intervention in the MFF process at the June 2013 European Council was decisive.<sup>xviii</sup> If the European Council agrees on the post-2020 MFF in June 2019, negotiations between the European Parliament and the Council may only start formally in September 2019, with an expected agreement in mid- to late 2020 at the earliest. Should delays and last minute bargaining between Member States intervene, as was the case during the last MFF negotiations, this could pose an additional challenge –

a different person would be [President of the European Council](#), as Tusk's second and final mandate ends on 30 November 2019.

### **3.2.3 Legal, political and economic context: EU membership, economic climate and discourse**

One important element which has changed since the last MFF is the expected number of EU Member States. The 2014-2020 MFF was designed with Croatia's imminent EU accession in mind, bringing the EU up to 28 Member States. The 2021-2027 MFF will encompass the challenge of the UK's expected departure, creating a funding gap of around 12 per cent of contributions to the EU budget, compared to the previous MFF.<sup>xx</sup> Analysts envisage that the UK's departure will not only have financial consequences, but will also impact on EU policy preferences.<sup>xx</sup> Moreover, the Commission [argues](#) that 'the departure of the United Kingdom and the elimination of the associated rebates would already remove some obstacles to reform on the revenue side of the EU budget'.

Another difference in the overall context is related to the EU's economic situation. The negotiations for the 2014-2020 MFF took place at a moment in time when the EU was in a deep economic crisis, which placed considerable pressure from the national level to reduce spending at European level (in particular from net contributing Member States) on many EU leaders. The current economic [upturn](#) clearly provides a more favourable context, but this is counter-balanced by the expected funding gap due to the UK exit. Moreover, the economic crisis absorbed considerable European Council attention in the past, so the positive economic climate could also allow Heads of State or Government to treat the post-2020 MFF as a priority issue to which they could devote more time in the European Council.

A third potential difference between the last and the upcoming MFF negotiations relates to the overall discourse of the main actors. The early and outspoken request, mostly by the net contributing Member States, that the 2014-2020 MFF should be smaller than the previous MFF, determined the direction of discussion during the negotiations from the outset, and ultimately won the day. The discourse for the post-2020 MFF seems so far to be developing differently. Whilst it is still too early to have a comprehensive picture, a number of the views expressed by core actors regarding the next MFF support the need to increase the GNI contribution level of the EU budget. This applies not only in relation to the [European Commission](#) and the European Parliament, which have traditionally been in favour of increases in the EU budget, but also, and in contrast to the previous MFF, to many Member States, which are arguing for an increase in the GNI contribution to above 1.0 per cent and expressing their willingness to increase their own contribution (e.g. [Estonia](#), [Ireland](#), [Poland](#), [Germany and Italy](#)). Some Member States are even [willing](#) to become net contributors. So far, two main arguments are used to support an increase in the GNI contribution (and in some cases in the own resources): the funding gap due to the UK departure and the EU objective to be more ambitious on certain policies (for example, migration and defence).

While the Commission [envisages](#) proposing a 2021-2027 MFF of between 1.1 and 1.2 per cent of total EU GNI, the current EP Committee on Budgets co-rapporteurs' draft report calls for 1.3 per cent of total EU GNI. Conversely, even though the European Commissioner for the Budget, Günther Oettinger, reports that some Member States [have indicated](#) their preference for an EU budget set at 1.0 per cent of total EU GNI, these are fewer in number and, to date, less vocal than previously. Whilst in the last negotiation, the predominant argument tended to be that the EU should first consider how much money is available and then choose between competing priorities, this time many of the contributions so far have stressed that one should first decide what EU priorities one wants to set and then come up with the required funding. The MFF discussion thus starts from a potentially more benign context than the last one, in 2010, even if the negotiations are bound to be intense, complex and tough, if previous experience is anything to go by.

## Main references

- Crowe, R. (2016), 'The European Council and the Multiannual Financial Framework', *Cambridge Yearbook of European Legal Studies*, 2016, pp. 1-24.
- de Boissieu, P., et al., (2015) *National Leaders and the Making of Europe: Key Episodes in the Life of the European Council*, London: Harper, 2015.
- Kaiser, R. and Prange-Gstöhl, H., 'The Future of the EU Budget', *Sieps*, 2017:6.

## Endnotes

- <sup>i</sup> See P. de Boissieu et al., *National Leaders and the Making of Europe: Key Episodes in the Life of the European Council*, Harper, 2015.
- <sup>ii</sup> A first post-Lisbon procedure intended to transform the interinstitutional agreement laying down the MFF for 2007-2013 into a MFF regulation for the same period failed when the European Parliament refused to give its consent.
- <sup>iii</sup> Net contributors to the EU budget are considered Member States who contribute more to the EU budget than the amount of EU funding it receives, and vice versa for net beneficiaries.
- <sup>iv</sup> See, for example, R. Crowe, 'The European Council and the Multiannual Financial Framework', *Cambridge Yearbook of European Legal Studies*, 2016, pp 1-24; and P. de Boissieu et al., *National Leaders and the Making of Europe: Key Episodes in the Life of the European Council*, Harper, 2015.
- <sup>v</sup> Since 2009, the Rules of Procedure of the European Council/Rules of Procedure of the Council specify that the GAC shall be responsible for overall coordination of the MFF, for which the Economic and Finance Council (Ecofin) was previously responsible. This helps to explain why the MFF debate rapidly moved to another level.
- <sup>vi</sup> A European Council debate or decision on the MFF is seen as major if the meeting conclusions include a significant content statement on the MFF, or were particularly extensive, and/or lengthy discussion between Heads of State or Governments took place.
- <sup>vii</sup> See R. Kaiser and H. Prange-Gstöhl, 'The Future of the EU Budget', *Sieps*, 2017:6.
- <sup>viii</sup> The EP delegation included the chair of the European Parliament's Committee on Budgets (Alain Lamassoure, EPP, France), the co-rapporteurs for the MFF (Reimer Böge, EPP, Germany and Ivailo Kalfin, S&D, Bulgaria) and the co-rapporteurs for own resources (Jean-Luc Dehaene, EPP, Belgium and Anne Jensen, ALDE, Denmark).
- <sup>ix</sup> See P. de Boissieu et al., *National Leaders and the Making of Europe: Key Episodes in the Life of the European Council*, Harper, 2015.
- <sup>x</sup> See Eurocomment Preliminary Evaluation 2013/4.
- <sup>xi</sup> *Ibid.*
- <sup>xii</sup> S. Hagemann, 'The EU Budget and Balance of Powers between the European Parliament and the EU Governments', *Sieps*, 2014:3.
- <sup>xiii</sup> Eurocomment Preliminary evaluation 2013/4.
- <sup>xiv</sup> Voting on the report is expected during the meetings of the Parliament's Committee on Budgets in February 2018, and in plenary in spring 2018.
- <sup>xv</sup> [Article 25](#) of the 2014-2020 MFF Regulation required the Commission to present the proposal for the post-2020 MFF before 1 January 2018. However, the result of the United Kingdom's June 2016 referendum on its EU membership prompted the Commission to [postpone](#) publication of the proposal to May 2018.
- <sup>xvi</sup> See Eurocomment Preliminary Evaluation 2012/6.
- <sup>xvii</sup> *Ibid.*
- <sup>xviii</sup> See Eurocomment Preliminary Evaluation 2013/4.
- <sup>xix</sup> Even if the UK contributed a certain amount to the EU budget during a transition period following its departure, which is not as yet agreed, there will be a significant shortfall over the total period of the 2021-2027 MFF. For more detail see 'the UK's contribution to the EU budget' House of Commons Library Briefing Paper No [CBP 7886](#), 2017.
- <sup>xx</sup> I. Begg, 'The EU budget after 2020', *Sieps*, 2017:9.

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To contact the European Council Oversight Unit, please e-mail: [EPRS-EuropeanCouncilOversight@ep.europa.eu](mailto:EPRS-EuropeanCouncilOversight@ep.europa.eu)

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