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Assembly

## Research and Information Service Briefing Paper

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# EU BUDGET 2014-2020 (Multiannual Financial Framework)

This paper provides information on the European Budget 2014-2020, which is also referred to as the Multiannual Financial Framework (MFF).

## Introduction

This briefing paper describes the negotiations for the European Union (EU) Budget 2014-2020, also referred to as the Multiannual Financial Framework (the MFF). The first section provides a general explanation of what an MFF is. Section 2 briefly outlines the EU Budget 2014-2020. Section 3 explains what the negotiation process is to agree the MFF 2014-2020. Section 4 provides an overview of the rules to adopt the MFF package. Section 5 outlines key developments of the MFF 2014-2020 to date. Section 6 highlights relevant positions in the on-going MFF negotiations, including key EU institutional players and some Members States, including the United Kingdom and the Republic of Ireland. This is followed by a brief conclusion.

### 1 What is a MFF?

The MFF defines the EU's long-term spending priorities in line with the agreed political priorities and sets annual maximum amounts to be spent on each priority. It is to ensure sound and responsible financial planning and management for a specified time period. Simply stated, the MFF largely determines the shape of EU policies, the role of the EU and its financial parameters for the given period.

Thereafter annual EU budgets during that timeframe comply with the MFF, as adopted under prevailing EU rules<sup>1</sup>.

### 2 An Overview of the EU Budget 2014-2020

The 2014-2020 EU Budget (the MFF) is a seven year plan which sets out maximum spending amounts (ceilings) and the related five key target areas (headings) that are within the Union's remit. Once agreed and adopted, it will ensure that EU expenditure for the specified time period "develops in an orderly manner and within the limits of its own resources"<sup>2</sup>.

Annual EU budgets within this time will comply with the MFF's provisions.

#### 2.1 Headings

According to the original MFF 2014-2020 proposals published in June 2011, the headings from the largest to the smallest proportions are:

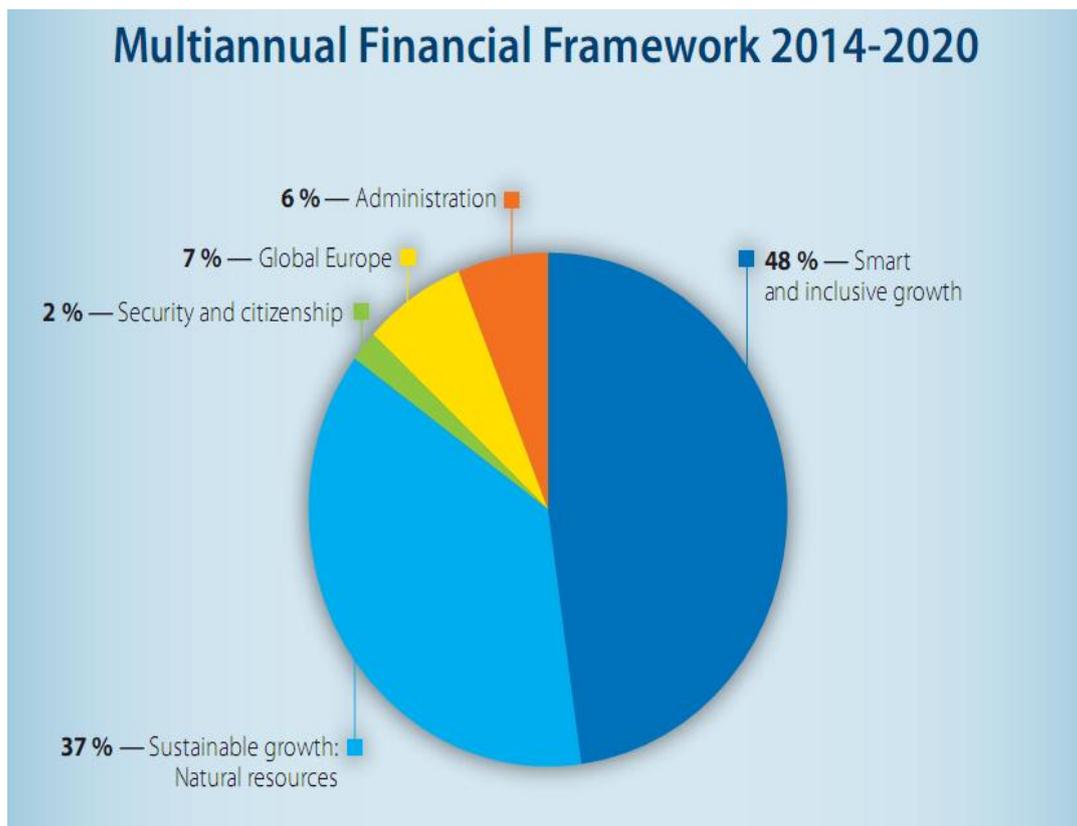
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<sup>1</sup>EU multiannual financial framework (MFF) negotiations: <http://www.consilium.europa.eu/special-reports/mff/mff-regulation>

<sup>2</sup>Treaty on the Functioning of the European Union: Article 312

Headings	Examples of Policy Areas	Proportion of Budget
Smart and inclusive growth	Cohesion Fund; Research and Innovation; Education and Training	48%
Sustainable Growth: Natural Resources	Agriculture; Rural Development; Fisheries	37%
Global Europe	Foreign Policy; EU Enlargement	7%
Administration	EU Institutions' Staff Salaries and Pensions	6%
Security and Citizenship	Immigration; Border Protection	2%

The following chart illustrates the distribution of the above<sup>3</sup>:



## 2.2 Ceilings

The original MFF 2014-2020 proposals (published in June 2011) specify maximum spending amounts or ceilings for each of the seven years as listed below: <sup>4</sup>

<sup>3</sup>European Commission Proposal for the 2014-2020 Multiannual Financial Framework June 2011:

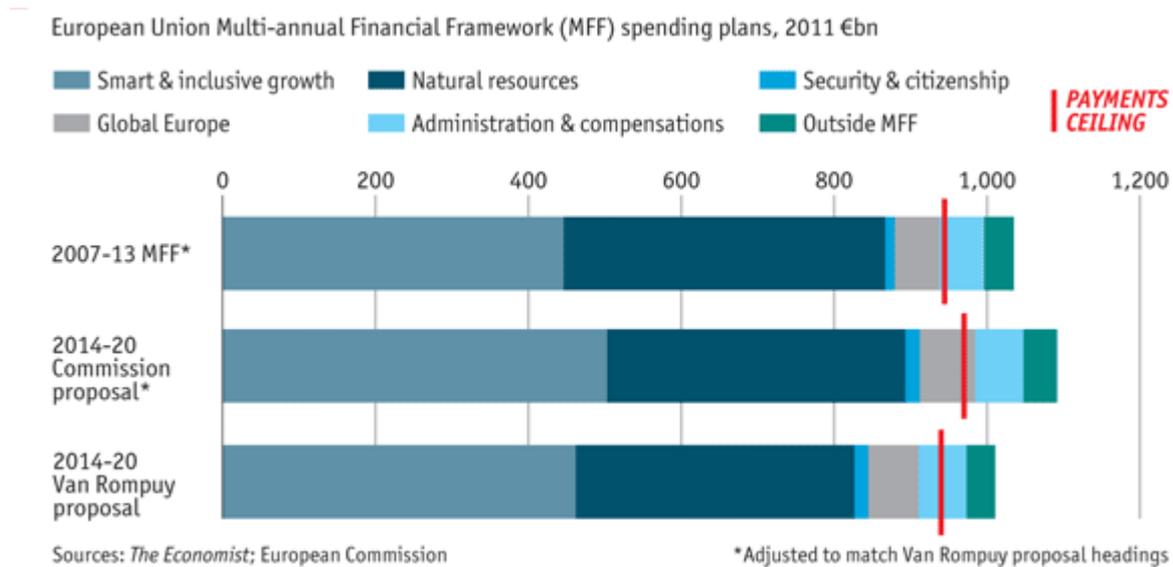
[http://ec.europa.eu/budget/library/biblio/publications/2011/mff2011/MFF\\_2011\\_en.pdf](http://ec.europa.eu/budget/library/biblio/publications/2011/mff2011/MFF_2011_en.pdf)

<sup>4</sup> Ibid.

Commitment Appropriations	2014	2015	2016	2017	2018	2019	2020	Total 2014 - 2020
<b>1. Smart and inclusive growth</b>	<b>64 696</b>	<b>66 580</b>	<b>68 133</b>	<b>69 956</b>	<b>71 596</b>	<b>73 768</b>	<b>76 179</b>	<b>490 908</b>
of which: Economic, social and territorial cohesion	50 468	51 543	52 542	53 609	54 798	55 955	57 105	376 020
<b>2. Sustainable growth: Natural resources</b>	<b>57 386</b>	<b>56 527</b>	<b>55 702</b>	<b>54 861</b>	<b>53 837</b>	<b>52 829</b>	<b>51 784</b>	<b>382 927</b>
of which: Market-related expenditure and direct payments	42 244	41 623	41 029	40 420	39 618	38 831	38 060	281 825
<b>3. Security and Citizenship</b>	<b>2 532</b>	<b>2 571</b>	<b>2 609</b>	<b>2 648</b>	<b>2 687</b>	<b>2 726</b>	<b>2 763</b>	<b>18 535</b>
<b>4. Global Europe</b>	<b>9 400</b>	<b>9 645</b>	<b>9 845</b>	<b>9 960</b>	<b>10 150</b>	<b>10 380</b>	<b>10 620</b>	<b>70 000</b>
<b>5. Administration</b>	<b>8 542</b>	<b>8 679</b>	<b>8 796</b>	<b>8 943</b>	<b>9 073</b>	<b>9 225</b>	<b>9 371</b>	<b>62 629</b>
of which: Administrative expenditure of the institutions	6 967	7 039	7 108	7 191	7 288	7 385	7 485	50 464
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<b>142 556</b>	<b>144 002</b>	<b>145 085</b>	<b>146 368</b>	<b>147 344</b>	<b>148 928</b>	<b>150 718</b>	<b>1 025 000</b>
<b>as a percentage of GNI</b>	<b>1.08%</b>	<b>1.07%</b>	<b>1.06%</b>	<b>1.06%</b>	<b>1.05%</b>	<b>1.04%</b>	<b>1.03%</b>	<b>1.05%</b>

## 2.3 Key proposed changes to the original Commission proposals

The diagram below includes at the third bar the total spending allocations for MFF 2014-2020, as outlined in the original June 2011 proposal and amended by the draft November 2012 Van Rompuy proposal, which is mentioned in section 5 below <sup>5</sup>.



## 3 What is the negotiating process to agree the MFF?

Current MFF negotiations involve three EU institutions: the European Parliament (the Parliament); the Council (with guidance from the European Council in the form of political agreement on the key political issues), and the European Commission (the Commission). Each has its own distinct role, which is briefly highlighted below.

The Commission presents proposals for the MFF upcoming budget cycle. These proposals collectively constitute what is known as the “MFF package”, which includes the following three elements:

1. **MFF Regulation<sup>6</sup>** - The purpose of the regulation is to create budgetary discipline and to translate political priorities into figures for the budget cycle 2014-2020. It sets out the maximum amounts (ceilings) to be spent on each of the policy headings. It also facilitates adoption of the annual budgets, which must be in line with the MFF ceilings.
2. **Legislative Acts on EU Own Resources<sup>7</sup>** - Revenue for expenditure in the EU is referred to as Own Resources. Put simply, this is the amount of money the

<sup>5</sup> “EU budget summit Part 1”, *The Economist* online: 22 November 2012:

<http://www.economist.com/blogs/charlemagne/2012/11/eu-budget-summit-part-i>

<sup>6</sup> Multiannual Financial Framework Regulation <http://www.consilium.europa.eu/special-reports/mff/mff-regulation>

<sup>7</sup> EU Own Resources <http://www.consilium.europa.eu/special-reports/mff/own-resources>

EU needs to raise to fund expenditure. Revenue is gathered mainly from customs duties, value added tax and a standard percentage contribution from Member States.

3. **Sector Specific Legislative Acts**<sup>8</sup> - This is where the Commission define conditions of eligibility and the criteria for allocating funds to projects which fall under the various key target areas or headings (see section 2.1). The acts can only be finalised when an agreement on the political issues have been reached.

Negotiations subsequently follow on the Commission's proposed MFF package: their purpose is to broadly agree and define the following for the next budget cycle:

- The expenditure limits determining the amount to be spent by the EU
- The spending programmes determining the areas in which the monies will be spent
- The rules specifying the financing of the expenditure allocations

The negotiation process happens under two parallel tracks, a political track and a legislative track<sup>9</sup>, which are briefly highlighted below.

### 3.1 Political Track

The Political Track is progressed by existing Member States through distinct phases, which the below table highlights<sup>10</sup>:

Key Phases	Objectives	Timeframes
Clarification Phase	To provide a better understanding of the Commission's proposals and develop member states' positions. The European Commission presents its proposals for the MFF package	June 2011 – March 2012
Negotiating Phase	To narrow the gap between member states on key issues. The MFF negotiations are based on the European Commission's MFF proposals	March 2012 – September 2012
Conclusion Phase	To reach a political agreement on the package in 3 key areas annual ceilings of expenditure, key political elements of the rules on own resources and of the sector-specific proposals	October 2012 – February 2013
Finalisation of the legislative work	Once the European Council reaches agreement on the key political issues, work can begin to finalise the legislative acts of the MFF package	

<sup>8</sup> Sector Specific Acts <http://www.consilium.europa.eu/special-reports/mff/sector-specific>

<sup>9</sup> The 2 tracks of the MFF negotiations <http://www.consilium.europa.eu/special-reports/mff/2-tracks>

<sup>10</sup> Ibid.

### 3.2 Legislative Track<sup>11</sup>

The Legislative Track runs parallel to the Political Track. It is where Member States discuss (*via* the relevant preparatory bodies and Council configurations) the technical elements of the sector-specific proposals, based on the Commission's legislative proposals.

The overall aim of the Legislative Track is to align the Member States' positions as far as possible; while seeking to ensure that this work does not prejudge the Political Track negotiations.

When agreement is reached in the European Council, this launches the legislative work on the MFF Regulation and the rules on own resources. It is from this point that the legislative work covers all aspects of the MFF package.

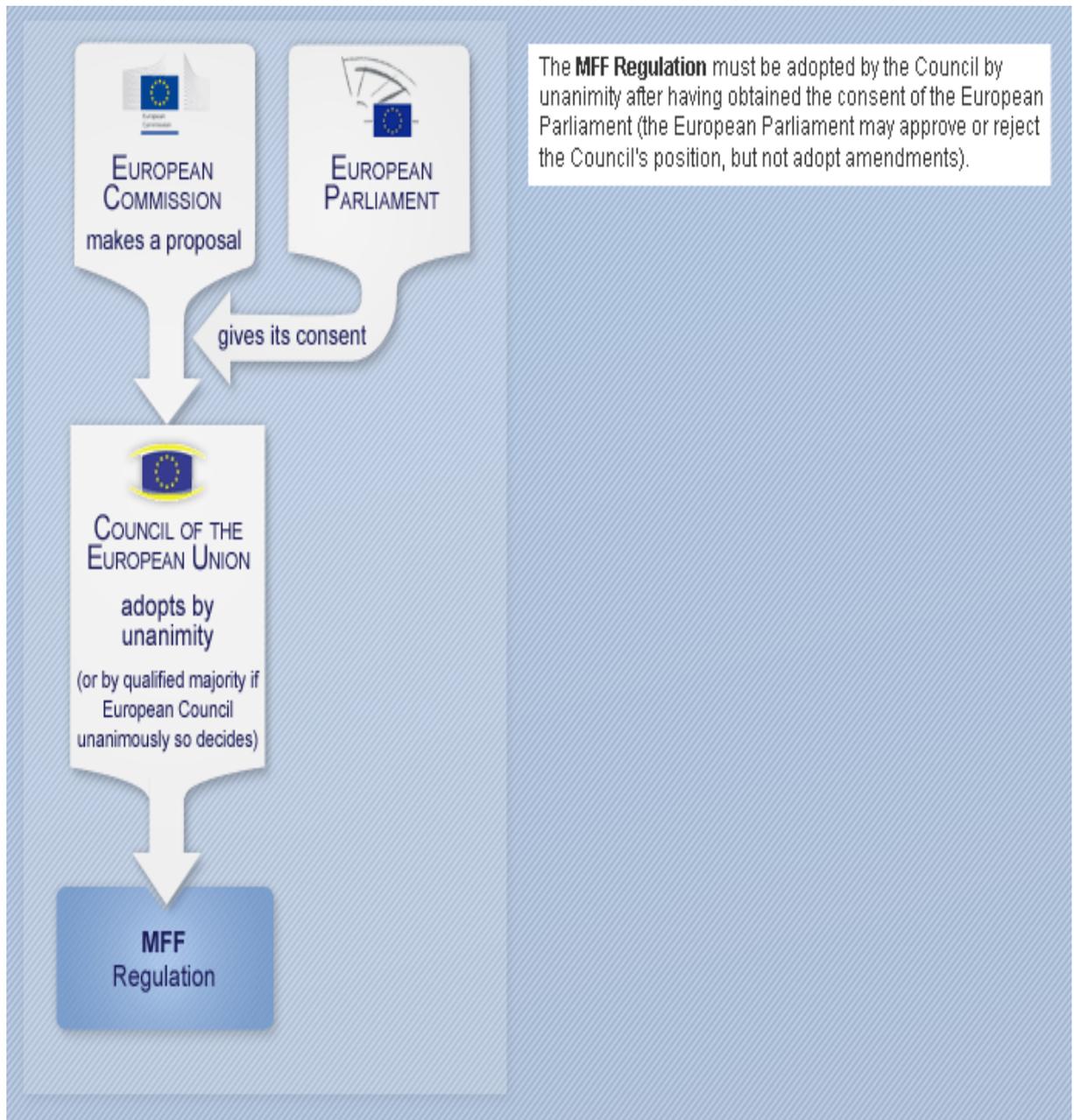
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<sup>11</sup> *Ibid.*

## 4 What are the rules to adopt the agreed MFF package?

The MFF package – including the MFF Regulation, the legislative acts on the EU own resources and the legislative acts on the sector specific proposals - is adopted according to different rules, which are highlighted in the below flowcharts.

### 4.1 The MFF Regulation<sup>12</sup>

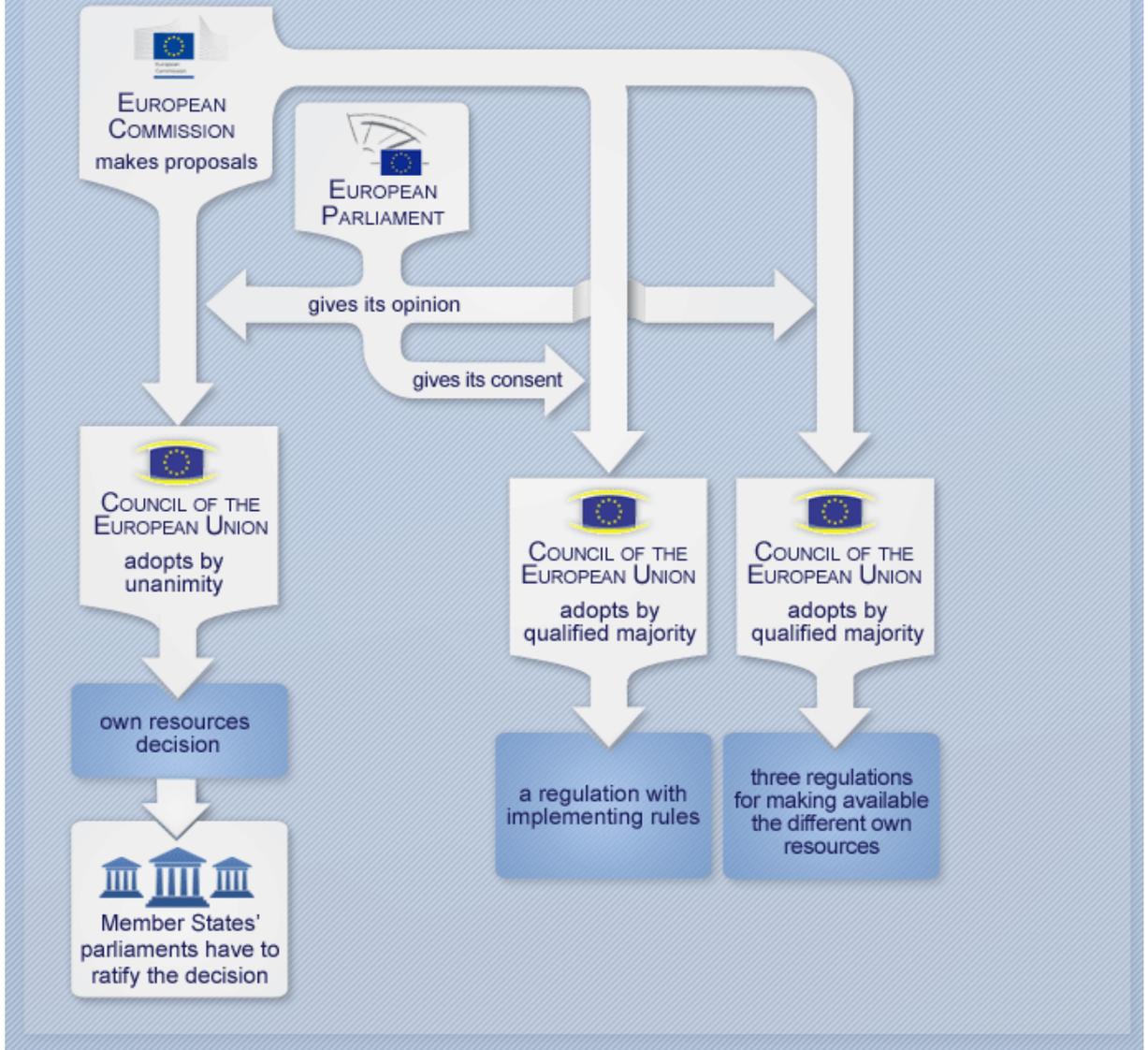


<sup>12</sup> The rules to adopt the MFF package <http://www.consilium.europa.eu/special-reports/mff/decision-making-process>

## 4.2 The legislative acts for the EU own resources<sup>13</sup>

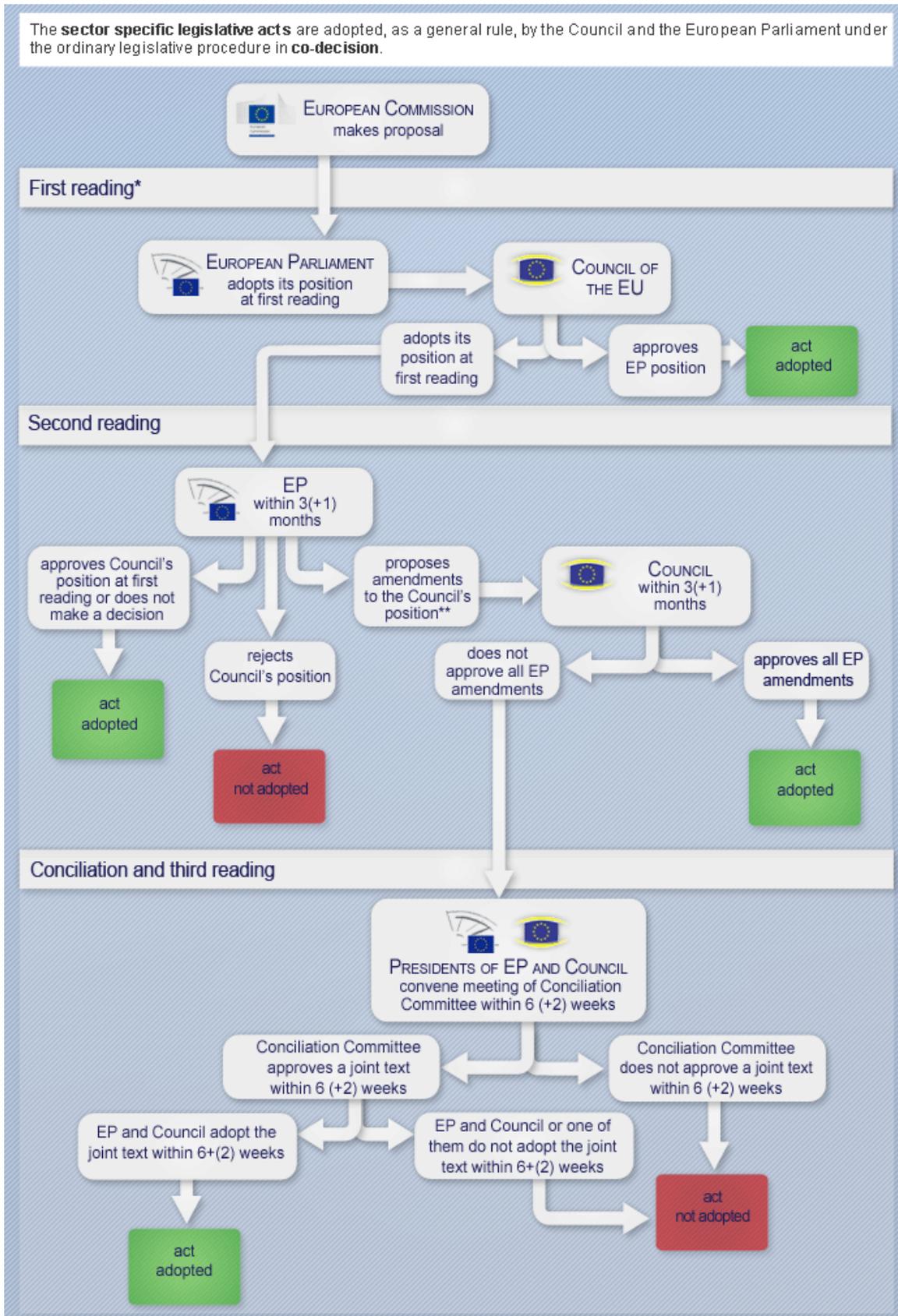
The legislative acts for the **EU own resources** are adopted by different procedures. In 2011, the Commission proposed 5 legislative acts on own resources that would apply to the budget cycle 2014-2020:

- 1 decision on own resources which must be adopted **unanimously** by the Council after having consulted the European Parliament. The decision has to be ratified by the national parliaments.
- 1 Council regulation with implementing rules on own resources which must be adopted by the Council by **qualified majority**, with the consent of the European Parliament. The European Parliament may approve or reject the Council's position, but not adopt amendments.
- 3 Council regulations on how to make the different own resources available which must be adopted by the Council by **qualified majority** after having consulted the European Parliament.



<sup>13</sup> Own Resources rules of adoption <http://www.consilium.europa.eu/special-reports/mff/decision-making-process02>

### 4.3 The legislative acts for the sector specific proposals<sup>14</sup>



<sup>14</sup> Sector Specific Acts Rules of adoption <http://www.consilium.europa.eu/special-reports/mff/decision-making-process03>

#### 4.4 What happens if agreement is not reached before 2014?

If agreement is not reached by the end of the existing MFF, the ceilings and the provisions corresponding to the last year of that framework shall be extended until agreement on the new framework is reached<sup>15</sup>.

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<sup>15</sup> *Treaty on the Functioning of the European Union: Article 312*

## 5 Key Developments of the MFF 2014-2020 to date

Key developments: further detail can be obtained from:

<http://www.consilium.europa.eu/special-reports/mff/meetings>

and

[http://ec.europa.eu/budget/biblio/documents/fin\\_fwk1420/fin\\_fwk1420\\_en.cfm](http://ec.europa.eu/budget/biblio/documents/fin_fwk1420/fin_fwk1420_en.cfm)

- **June 2011** – Negotiations formally started with the presentation of the European Commission’s proposal ‘A Budget for Europe 2020’<sup>16</sup>.
- **November 2012** – There was a summit of the European Council to reach MFF agreement. At the summit, President Van Rompuy, in co-operation with the Commission, presented a revised draft of the European Council proposals. The draft included an 80 billion euro reduction on the original Commission proposals of June 2011. In addition, Van Rompuy and the President of the European Commission, José Manuel Barroso, held bilateral consultations with the Member States on the revised proposal. A consensus was not reached and further negotiations are planned for February 2013.
- **February 2013** – Further negotiations are to take place.

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<sup>16</sup> European Commission Proposal for the 2014-2020 Multiannual Financial Framework June 2011:  
[http://ec.europa.eu/budget/library/biblio/publications/2011/mff2011/MFF\\_2011\\_en.pdf](http://ec.europa.eu/budget/library/biblio/publications/2011/mff2011/MFF_2011_en.pdf)

## 6 On-going Negotiations: Relevant Positions

This section highlights relevant positions in the on-going negotiations for the EU Budget 2014-2020, including key EU institutional players and those of a selection of Member States.

### 6.1 Key EU Institutional Players

Key EU Institutional Players	Positions
EU Commission	President Barroso favours the original Commission proposals and is resistant to any further cuts <sup>17</sup>
Committee of the Regions (CoR)	COR President Ramón Luis Valcárcel Siso is against cuts in the Von Rompuy proposal as they “risk paralysing relevant processes of innovation, greening and re-organisation of our economy” <sup>18</sup>
European Parliament	Opposed to any freeze or cut of the MFF. Parliament President Martin Schulz “Advocating cuts in the EU Budget may be popular, but it is hugely irresponsible” <sup>19</sup>

### 6.2 Key Member States Opposing Cuts

Key Member States Opposing Cuts	Positions
Republic of Ireland	Views cuts as threat to Common Agricultural Policy (CAP) subsidies. “Latest set of proposals would see the budget for EU farm grants cut by EUR17 bn, a significant blow to Irish farmers receiving CAP payments.” <sup>20</sup>
France	Wants to see EU spending rise to support farmers reliant on CAP payments <sup>21</sup>
Poland	Largest net recipient of EU funds, keen to protect cohesion funds used to help poorer regions catch up with the rest of the EU. <sup>22</sup>
Greece, Hungary, Portugal and Spain	Other net recipients of the EU budget who stand to lose most by cutting the budget

<sup>17</sup> Statement by Commission President Barroso following the summit: [http://europa.eu/rapid/press-release\\_SPEECH-12-857\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-12-857_en.htm)

<sup>18</sup> The EU's Assembly of Regional and Local Representatives webpages: <http://cor.europa.eu/en/news/pr/Pages/valcarcel-and-barroso-call-for-decent-compromise.aspx>

<sup>19</sup> The battle for the EU's long-term budget: <http://www.europarl.europa.eu/news/en/headlines/content/20110429FCS18370/html/The-battle-for-the-EU's-long-term-budget>

<sup>20</sup> “Kenny faces nightmare start to EU presidency after budget talks fail” : *Irish Independent*, 24 November 2012: <http://www.independent.ie/national-news/kenny-faces-nightmare-start-to-eu-presidency-after-budget-talks-fail-3304467.html>

<sup>21</sup> “Tories cheer Cameron in Europe and demand referendum”: *The Telegraph*, 24 November 2012 <http://www.telegraph.co.uk/news/worldnews/europe/eu/9700867/Tories-cheer-Cameron-in-Europe-and-demand-referendum.html>

<sup>22</sup> “Is austerity about to hit the EU?” *The Economist*, 22 November 2012: <http://www.economist.com/blogs/charlemagne/2012/11/eu-budget-summit-part-i>

## 6.2 Key Member States Supporting Cuts

Key Member States Supporting Cuts	Positions
United Kingdom	Most vocal advocate of cutting the EU budget. Keen to cut administration and is calling for a freeze of EU public servants pay. UK is also keen to protect its rebate currently set at 66% of its net contribution <sup>23</sup>
Germany	Under pressure domestically over bail outs to Greece Chancellor Merkel wants another EUR 30bn cut from the EU budget <sup>24</sup>
Netherlands and Sweden	Other net contributors, seeking to maintain their rebates and cut overall size of the budget

<sup>23</sup> "The Multiannual Financial Framework 2014-2020" House of Lords European Union Committee: 34th Report of Session 200-12: <http://www.publications.parliament.uk/pa/ld201012/ldselect/ldeucom/297/29704.htm>

<sup>24</sup> "Kenny faces nightmare start to EU presidency after budget talks fail": *Irish Independent*, 24 November 2012: <http://www.independent.ie/national-news/kenny-faces-nightmare-start-to-eu-presidency-after-budget-talks-fail-3304467.html>

## Conclusion

The MFF “sets political priorities for future years and constitutes therefore a political as well as a budgetary framework.”<sup>25</sup> All three EU institutions – the Council, the Parliament and the Commission - must all work together to achieve this. The Commission provide the proposals and legislative regulations, the Parliament scrutinise these and the Council fine tune the details into policy decisions. For the first time in the history of the Institutions, Member States are discussing cuts<sup>26</sup> to future budgets. This is perhaps not surprising given the challenging global economic climate. It would appear that some Members States have called for even greater cuts than Council President Van Rompuy has put forward. Negotiations are set to continue in February 2013, with the Commission and the Council confident that consensus can be reached.

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<sup>25</sup> European Commission Proposal for the 2014-2020 Multiannual Financial Framework June 2011: Page 3  
[http://ec.europa.eu/budget/library/biblio/publications/2011/mff2011/MFF\\_2011\\_en.pdf](http://ec.europa.eu/budget/library/biblio/publications/2011/mff2011/MFF_2011_en.pdf)

<sup>26</sup> Statement by Commission President Barroso following the summit: [http://europa.eu/rapid/press-release\\_SPEECH-12-857\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-12-857_en.htm)