

The EU's Multiannual Financial Framework (MFF) for 2021-2027

Philosophy, Economics and Politics: Current Debates 2019
Jaromír Baxa, Vilém Semerák (IES FSV UK)



Günther Oettinger, EU Budget Commissioner.

Source: <https://www.thetimes.co.uk/article/theresa-may-ridiculed-as-weak-by-germanys-eu-commissioner-quenther-oettinger-nnj7mvnx3>

Overview

Understanding the Multiannual Financial Framework

The 2021-2027 MFF: Structure and Priorities

Challenges for Negotiations:

- Size of the budget

- Common Agricultural Policy, and Regional and Cohesion Policy

- Brexit hole

- Rule of law and EU funding conditionality

The Multiannual Financial Framework (MFF)

- Sets out the long-term budget of the European Union)
- Policy priorities are outlined for seven years, and under each heading, spending 'ceilings', maximum annual amounts that can be spent, are agreed.
- The current MFF covers the period 2014-2020.
- Legally binding (since the Lisbon Treaty)
- Quick reference on financing the EU available at <http://www.europarl.europa.eu/factsheets/en/section/188/financing>

Treaty on the Functioning of the European Union, Title II, Chapter 2

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 referred to in the first paragraph.

Treaty on the Functioning of the European Union, Title II, Chapter 2 (Cont.)

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.'

(Consolidated version of the Treaty on the Functioning of the European Union;

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12012E/TXT>)

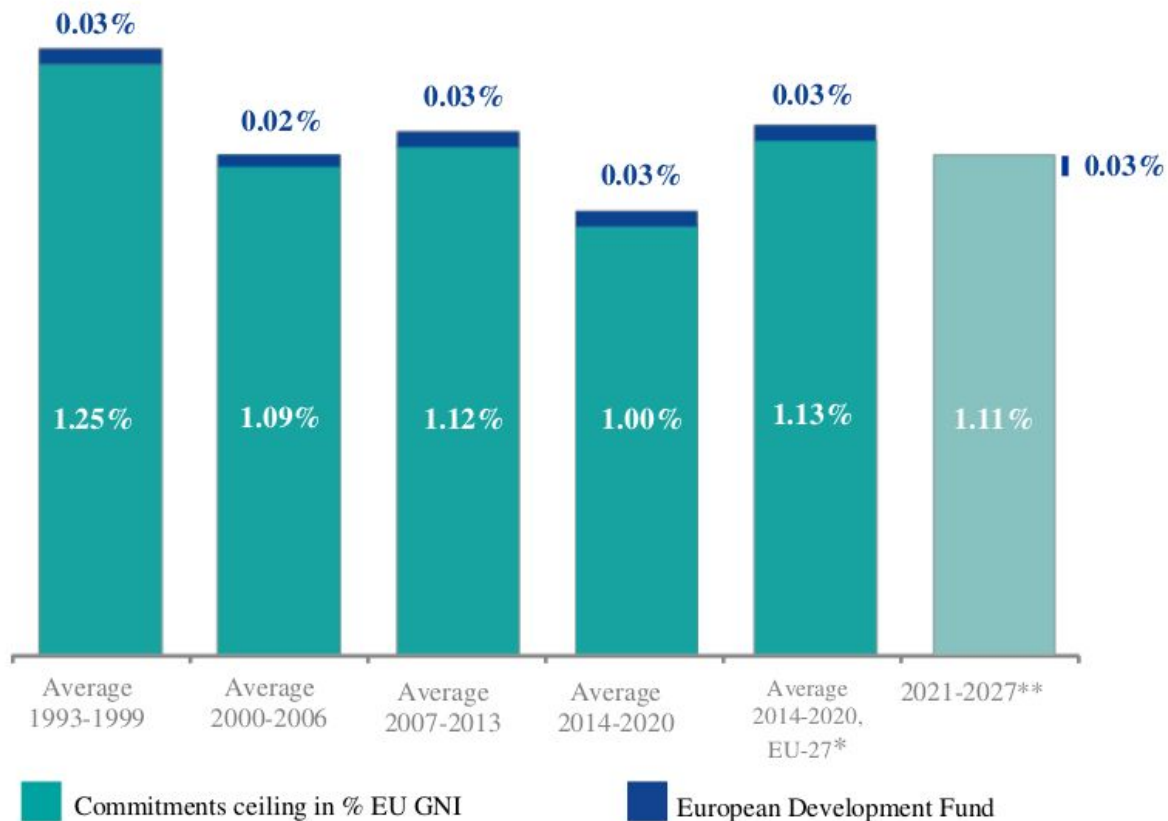
The Multiannual Financial Framework (MFF)

- Proposed by the European Commission on 2 May 2018
- Mid-term review proposed for 2023.
- Currently: Negotiations between the Commission, Parliament, and the Council. Expected adoption - October, 2020, after the EU elections.

The Multiannual Financial Framework (MFF)

- “A Modern Budget for a Union that Protects, Empowers and Defends”
- €1,135 billion in commitments to be pledged by Member States (expressed in 2018 prices), equivalent to 1.11 per cent of the EU27's gross national income (GNI).
- An 0.1% increase over the previous MFF. The European Parliament proposed to increase the ceiling to 1.3% of GNI.
- This increase already declared as unacceptable by Netherlands, and it seems that Denmark, Sweden, and Austria will join in a coalition.
- Poland, Hungary, and other CEE likely support higher EU budget.
- France and Germany - perhaps the role of conciliators of extremes.

The size of the EU budget as a percentage of gross national income (GNI)



*2014-2020 estimated commitments
(UK expenditure excluded) in % EU27 GNI

** European Development Fund integrated ("budgetised")

Spending priorities

In billion euro, current prices (the whole MFF)



I. SINGLE MARKET, INNOVATION AND DIGITAL

€187.4

- 1 Research and Innovation
- 2 European Strategic Investments
- 3 Single Market
- 4 Space



II. COHESION AND VALUES

€442.4

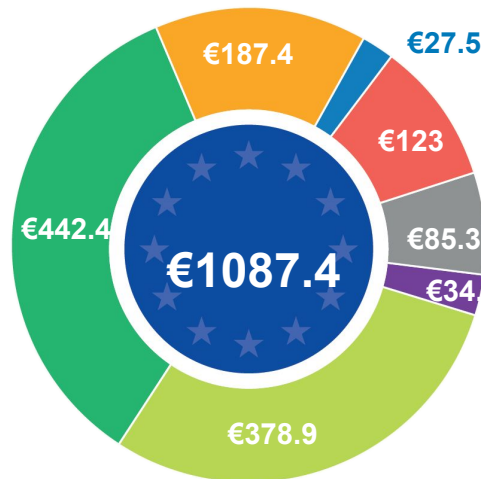
- 5 Regional Development and Cohesion
- 6 Economic and Monetary Union
- 7 Investing in People, Social Cohesion and Values



III. NATURAL RESOURCES AND ENVIRONMENT

€378.9

- 8 Agriculture and Maritime Policy
- 9 Environment and Climate Action



V. SECURITY AND DEFENCE

€27.5

- 12 Security
- 13 Defence
- 14 Crisis Response



VI. NEIGHBOURHOOD AND THE WORLD

€123

- 15 External Action
- 16 Pre-Accession Assistance



VII. EUROPEAN PUBLIC ADMINISTRATION

€85.3

- 17 European Public Administration



IV. MIGRATION AND BORDER MANAGEMENT

€34.9

- 10 Migration
- 11 Border Management



European
Commission

Spending priorities

"Overall levels of commitments per programme for the whole duration of the Multiannual Financial Framework."

- 1. Single market, Innovation and Digital** (including research and innovation, EU strategic investment and space programme) 166 bil.
- 2. Cohesion and values** (incl. regional development and cohesion, EMU, Erasmus+); Regional development and cohesion + European Social Fund 331 bil.
- 3. Natural resources and environment** (incl. common agriculture policy and measures to combat climate change; CAP 331 bil.)
- 4. Migration and border management;** 30 bil.
- 5. Security and defence;** 24 bil.
- 6. Neighbourhood and the World;** 108 bil.
- 7. European public administration;** 75 bil.

Spending priorities

 **Competitiveness for growth and jobs**
13% | € 142.1

 **Economic, social and territorial cohesion**
34% | € 371.4

 **Sustainable Growth: Natural Resources**
39% | € 420



Administration
6% | € 69.6 

Global Europe
6% | € 66.3 

Security and citizenship
2% | € 17.7 

 Horizon 2020
Erasmus+
Connecting Europe Facility
Galileo
...

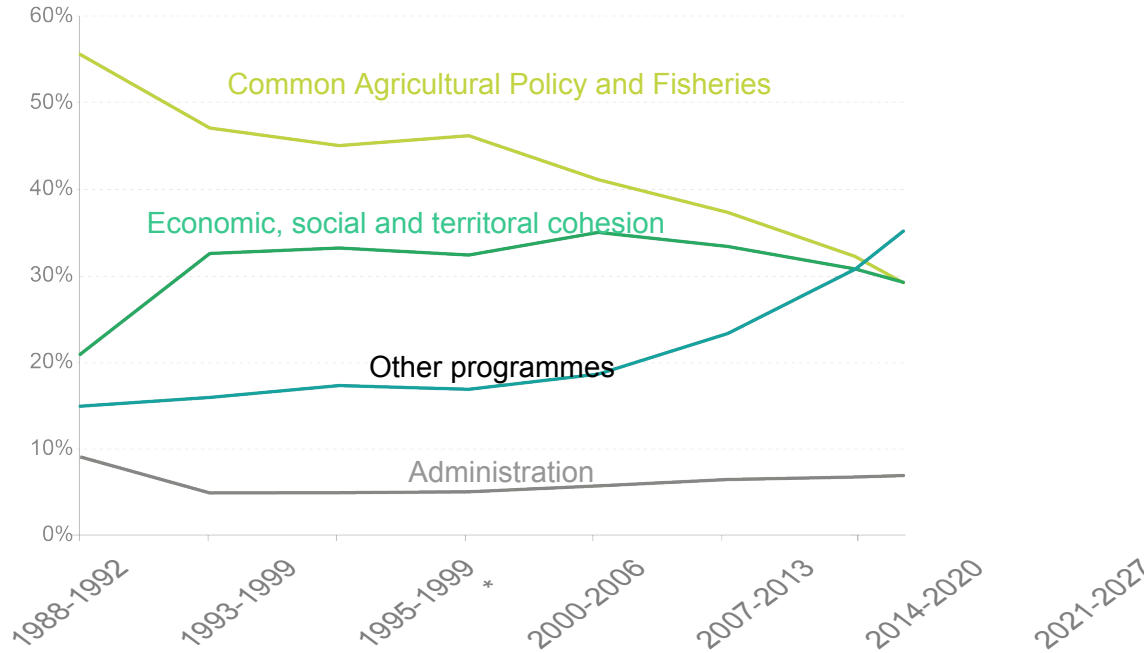
 European Regional Development Fund
European Social Fund
Cohesion Fund
Youth Employment Initiative
...

 European Agricultural Guarantee Fund
European Agricultural Fund for Rural Development
European Maritime and Fisheries Fund
Environment and climate action (LIFE)
...

Matching priorities with resources

Rebalancing and fairness

Evolution of main policy areas in the EU budget



Note: A comparison between nominal and real spending can be found [here](#).

*Adjusted for 1995 enlargement

Source: European Commission

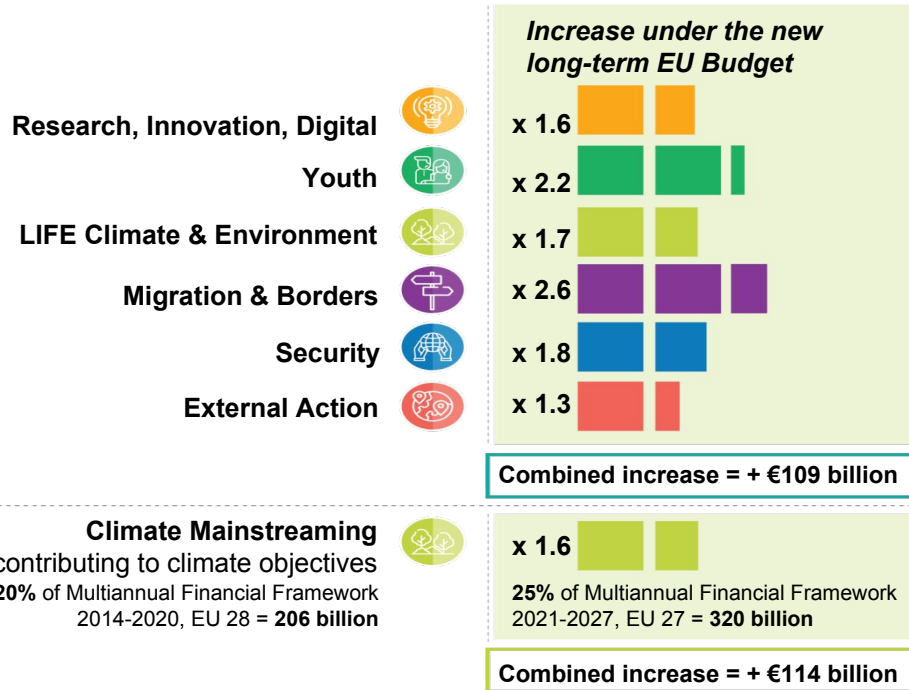
Challenges for the MFF 2021-2027

- Brexit gap: The United Kingdom was net contributor to the EU budget
- New priorities require new financial resources
- Ceiling at 1.2% of GNI most still valid
- Limited willingness of the EU Member States to increase contributions to the EU budget and the new financial resources not yet approved.
- Two existing spending programmes need to be reconsidered: the Common Agricultural Policy and Regional Policy

Brexit gap

- The U.K. was a net contributor to the EU's budget.
- The gap needs to be bridged by higher contributions of all remaining EU member states.
- 12-13 bil.€ per year, overall about 10% of the EU's budget.
Note: The number is correct, verified after the lecture.
- Effectively, the new MFF sets the cap on real increases of CAP and regional policy.

New Priorities: Focus on European added value



Note: Compared to Multiannual Financial Framework 2014-2020 at EU-27, including European Development Fund

Source: European Commission

Changes in the Common Agricultural Policy

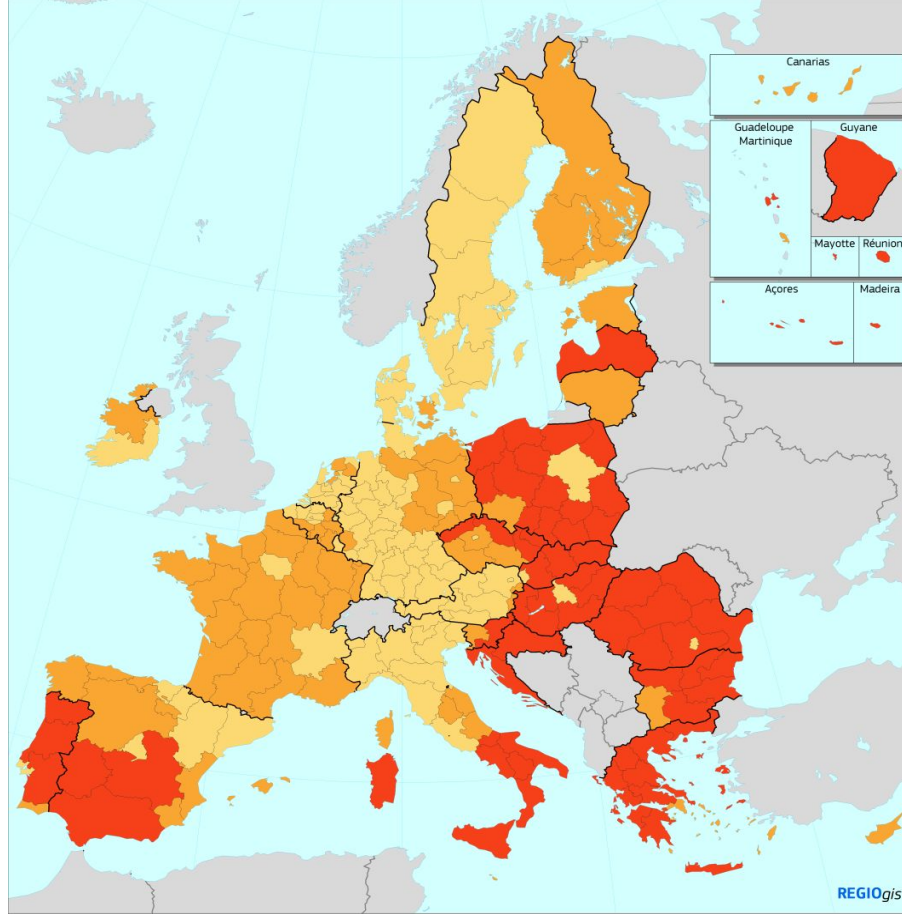
- 45% in the 90's, 38% till 2020, 29% current proposal.
- Emerging consensus: The direct support provides good incomes especially for richer farmers, and in old EU countries. 80% of direct payments go to 20% of farmers => Fairness questionable.
- It is less effective for greening and biodiversity and is unevenly distributed.
 - => Proposal to cut spendings on industrial farming while maintaining support for small-scale farmers
 - => Control of wage earnings in agriculture should be common responsibility of the EU and the Member States.
- Support even by France, opposed by the Czech Republic

Regional and Cohesion Policy

- From 34% to 29%.
- Emerging consensus: Cohesion policy contributes to convergence, but it is unclear how strong and long-lasting the effects are.
- Large simplification and overhaul.
- Thresholds: GDP per capita in PPP up to 75 %, 75 % - 90 % , above 90 % of the EU average.
- Quotas for almost all EU countries decrease, except Bulgaria, Romania, and Greece.
- Spendings need to correspond to the main priorities of the EU. Among them, the low carbon economy appears.

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GDP/head (PPS) by NUTS2 region, average 2014-2015-2016

Index, EU-27 = 100

- < 75% (less developed regions)
- 75% - 100% (transition regions)
- >= 100% (more developed regions)

Revenues

Own revenues:

- 80% of customs duties on imports outside the EU
- Part of VAT collected by the Member States
- Levy on Member States' GNI of a uniform percentage
- Other resources such as the contribution of the non-Member States

Revenues

Since the EU member states are not willing to contribute more, new financial resources are proposed:

- 20% of the revenues from the Emissions Trading System;
- A 3% call rate applied to the new Common Consolidated Corporate Tax Base (to be phased in once the necessary legislation has been adopted);
- A national contribution calculated on the amount of non-recycled plastic packaging waste in each Member State (EUR 0.80 per kilo).
- Phasing out of current rebates by 2025
- Rising the share of customs revenues to 90%, and left just 10% to the Member States.

The EU Budget and the Rule of Law

- Commission seeks power to cut funds to countries that don't respect the rule of law, see p. 4 of the Commission proposal.
- Officially, the EC is *"proposing to strengthen the protection of the EU budget from financial risks linked to generalized deficiencies as regards the rule of law in the Member States. If such deficiencies impair or threaten to impair sound financial management or the protection of the financial interests of the Union, it must be possible to draw consequences for EU funding."*
- The decision is supposed to be adopted via qualified majority voting in the Council.
- Verbally, it seems it's just a technical instrument to assure that no one uses EU funds for frauds.
- Note: Text of the proposed regulation at the very end of the Proposal of the Commission for the Multiannual Financial Framework

However, it's Brussels' Battle Plan!



<https://www.politico.eu/article/mff-commission-eu-budget-proposal-brussels-looks-to-link-eu-payouts-to-justice-standards/>

Enforcement of common rules in the EU.

- The EU has legal procedures on how to enforce common rules: Infringement procedure.
- EC - or the Member States - appeal to the European Court of Justice
- Infringement might end up with a financial penalty against the perpetrator.
- The sanction must be voted unanimously in the Council (unanimously)

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=> Alternative instrument is seen in a legal norm that would give the Commission a right to link the delivery of the European structural funds with the compliance with the rule of law. Proposed as a separate measure, so that qualified majority could have been used.

Is there conditionality in the EU funding already?

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The European Court of Justice could, if seized of a relevant case, declare that the principles of the mutual trust do not apply to the Polish judiciary, and that would imply a trigger to the process that would lead to suspension of the EU funds (Due to the Common Provisions Regulation)

Conditionality embedded in the EU funds already. All major programmes have specific objectives, procedures, and control system. Resources are being cut in the case of non-compliance.

Is the conditionality of EU funds desirable?

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Clear counterarguments:

Sanctions hit wrong people

Discrimination against poorer countries (Since maximum possible financial sanctions are linked to cohesion funds)

Damage to economic convergence.

Outlook for all these changes?

Uncertain.

Assessment of the MFF 2021-2027.

Is it the right budgetary framework for the EU?

Do you miss anything?

Supplementary slides

Aligned to political priorities (3)



I SINGLE MARKET, INNOVATION & DIGITAL

1 Research & Innovation

- Horizon Europe
- International Thermonuclear Experimental Reactor (ITER)
- Euratom Research & Training Programme

2 European Strategic Investments

- InvestEU Fund
- Connecting Europe Facility
- Digital Europe Programme (incl. Cybersecurity)

3 Single Market

- Single Market Programme (incl. Competitiveness and Small and Medium-Sized Enterprises - COSME, Food Safety, Statistics, Competition and Administrative Cooperation)
- EU Anti-Fraud Programme
- Cooperation in the Field of Taxation (FISCALIS)
- Cooperation in the Field of Customs (CUSTOMS)

4 Space

- European Space Programme



II COHESION & VALUES

5 Regional Development & Cohesion

- European Regional Development Fund
- Cohesion Fund
- Support to the Turkish-Cypriot Community

6 Economic & Monetary Union

- Reform Support Programme including the Reform Delivery Tool and Convergence Facility
- Protection of the Euro Against Counterfeiting

7 Investing in People, Social Cohesion & Values

- European Social Fund + (incl. Integration of Migrants & Health)
- ERASMUS+
- European Solidarity Corps
- Justice, Rights & Values
- Creative Europe (incl. MEDIA)

European
Solidarity
Fund

European
Investment
Stabilisation
Function

Globalization
Adjustment
Fund

Aligned to political priorities (4)



III NATURAL RESOURCES & ENVIRONMENT

8 Agriculture & Maritime Policy

- European Agricultural Guarantee Fund
- European Agricultural Fund for Rural Development
- European Maritime & Fisheries Fund

9 Environment & Climate Action

- Programme for Environment & Climate Action (LIFE)

25% climate
mainstreaming
across the
EU Budget



V SECURITY & DEFENCE

12 Security

- Internal Security Fund
- Nuclear Decommissioning (Lithuania)
- Nuclear Safety and Decommissioning (incl. for Bulgaria and Slovakia)

13 Defence

- European Defence Fund
- Connecting Europe Facility - Military Mobility

14 Crisis Response

- Union Civil Protection Mechanism (rescEU)

European
Peace
Facility

Emergency
Aid Reserve



10 Migration

- Asylum & Migration Fund

11 Border Management

- Integrated Border Management Fund

European
Border and
Coast Guard
(Frontex)



VI NEIGHBOURHOOD & THE WORLD

15 External Action*

- Neighbourhood, Development and International Cooperation Instrument (incl. external aspects of migration)
- Humanitarian Aid
- Common Foreign & Security Policy
- Overseas Countries and Territories (including Greenland)
- **16 Pre-Accession Assistance**
- Pre-Accession Assistance

*The European Peace Facility is an off - budget fund outside the Financial Framework



European
Commission