



Leaders' Agenda

February 2018

February MFF debate

The budget of the European Union, as determined by the Multiannual Financial Framework (MFF), is an essential tool to achieve our shared objectives and deliver on the commitments made. Therefore, the MFF has always been a matter for the Leaders, and the post-2020 MFF will be a recurring theme on the agenda of the European Council. The purpose of the Leaders' discussion on 23 February is to prepare the ground for that process.

In line with Treaty objectives, the bulk of the EU budget supports agriculture and rural development as well as investments under the cohesion policy. Research and innovation is a priority whose share in the MFF 2014-2020 has grown significantly, reflecting its importance for the EU's competitiveness. The EU's external action and Trans-European transport and energy infrastructure are other increasingly important financing areas.

In previous discussions there has been broad support amongst the Heads of State or Government for new European actions with financial consequences in the areas of mobility and education (a strengthened Erasmus+ programme), migration policy (a dedicated instrument for stemming the flow of illegal migration) and security and defence (e.g. European Defence Fund). Additionally, the Commission has proposed to include new budgetary instruments for a stable EMU in the post-2020 MFF.

This combination of new and existing priorities calls for a modernisation of current policies as well as for adequate financing in the next MFF. This should be accompanied by flexibility to address unforeseen situations as well as instruments to leverage national and private funds.

The negotiations on the next MFF will take place in the context of the UK's withdrawal from the EU, which will leave a gap of approximately € 10 billion per year on average in the EU budget revenues. Brexit will also make it necessary to revisit existing EU budget rebates since these were built around and justified by the UK rebate.

As regards the process, the 2014-2020 MFF negotiations took 29 months, 20 of which were spent in the Council and European Council. Negotiations with the European Parliament took 4 and a half months, and the European Parliament voted another 4 and a half months later. The first year of negotiations took place mainly at working level and was spent on technical clarification and discussions about individual elements to create the basis for a political agreement. Pursuing a similar process for the post-2020 MFF would require an agreement in the European Council in late 2019 or early 2020.

This time the process is complicated by the upcoming institutional transition which means that the final session of the current European Parliament is expected to be in April 2019. An alternative option could therefore be to try to reach an agreement already with the current European Parliament. This would require a very compressed process (10 months) in both the Council and European Council (7 months), and the European Parliament (3 months). In this case, an agreement should be reached in the European Council in December, following an extraordinary European Council in November. Consultations have shown that many Heads of State or Government, while prepared to work swiftly, find this timeline unrealistic.

In the light of this, a third, intermediate, option could be to make as much progress as possible aiming for agreement in the European Council in the course of 2019, followed by an agreement with the future European Parliament.

Against this background, Leaders will be encouraged to indicate their views on the following key questions:

Substance:

- 1. What political priorities should be addressed by the next MFF?**
- 2. What should be the overall level of expenditure in the next MFF?**

Process:

- 3. What timetable should we foresee for the MFF negotiations?**