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We need a better EU budget plan

Multiannual Financial Framework (MFF)

President Michel's disappointing budget proposal lacks ambition. The EU needs a strong and modern budget to fight climate change and inequalities.

In Focus

Ahead of the extraordinary European Council on the Multiannual Financial Framework (MFF) 2021-2027 - Council President Charles Michel published the current negotiating box on the MFF.

What is the MFF negotiating box (NegoBox)?

The MFF Negotiating Box (or in Brussels jargon "NegoBox") is an internal Council document to prepare the General Affairs Council (RfAA) or and the following European Council. Based on previous experience, the Council's conclusions will likely transform the NegoBox, thus representing the official Council position.

What is problematic about the NegoBox itself?

If the European Council reaches an agreement on 20 February 2020, the Heads of State and Government will adopt it unanimously. Subsequently, this means that the ministers will have the mandate to negotiate and the content of the NegoBox will no longer be opened.

The MFF is adopted unanimously in the Council and by an absolute majority in Parliament. The NegoBox is problematic that it contains some elements from the MFF and programmes, especially the cohesion policy and the common agricultural policy, which should normally go through the ordinary legislative procedure. As long as the NegoBox contains these elements, there is a risk that the content will no longer be "negotiable" by the Council after the Council’s conclusions.

The EP is **not** legally bound to the NegoBox and insists that decisions negotiated under the ordinary legislative procedure are to be carried out in legislative negotiations between the Council and the Parliament.

Overview of the Numbers

In the new proposal by Council President Charles Michel, the total volume of the MFF 2021-2027 is 1.074% of the GNI of the EU 27, corresponding to a total of EUR 1.094 trillion, including the European Development Fund (EDF).

In comparison, the Commission proposal is 1.11% of the GNI of the EU 27 (1.135 trillion euros), the Finnish Presidency's proposal was 1.07% of the GNI (1.087 trillion euros), the EP is calling for 1.30% of the GNI (1.324 trillion euros in constant 2018 prices). The current MFF 2014-2020 has a volume of 1.16% of the EU 27 (1.082 trillion euros), excluding the EDF.

Important key points in the NegoBox

The NegoBox **does not foresee** a mid-term revision. The mid-term revision was one of the conditions set by the EP during the adoption of the 2014-2020 MFF and remains a condition for the adoption of the 2021-2027 MFF. The review place after the mid-term of the current MFF, is legally binding and allows for an increase of the funds in programmes such as the flexibility instrument and the emergency aid reserve. This will make it easier to reallocate additional funds between budget lines and financial years, allowing for response to unforeseen events and new priorities. (Source: European Parliament).

There is **no foreseeable contingency plan** for the case that negotiations are not finished by the end of 2020. This could delay or even completely jeopardise both current and planned programmes. The EP, therefore, calls for a contingency plan, also because the Council could put time pressure on the EP to accept a poor MFF to avoid jeopardising the programmes.

The **Rule of Law** item is part of the MFF negotiating box and is therefore subject to consent procedure. The rule of law must be established as a principle in any case but should be negotiated outside the NegoBox in the ordinary legislative procedure. The big problem with the wording in this NegoBox is that sanctions now require a qualified majority to be enforceable. The original Commission proposal (and the Finnish proposal) initially required a reversed qualified majority in the Council to stop the sanctions. The "reversed" was deleted in this proposal, thus reversing the whole meaning. Thus, this rule of law mechanism is nothing more than decorative and without actual effect.

Expenditures (Some examples)

80.9 billion is predicted for Horizon, 323.2 billion for Cohesion and 329.3 billion for the CAP. The Just Transition Fund is now firmly anchored in the new MFF with 7.5 billion. 21.2 billion is available for ERASMUS.

For all headings, it is important to understand that any reduction can have exponential effects. For example, a cut of EUR 10 billion in Horizon means a decline of EUR 110 billion in GDP after 25 years and a loss of 100.000 jobs by 2040. A cut of EUR 3 billion in the InvestEU programme means a loss of

EUR 150 billion in investment for decarbonisation, sustainability, SMEs or digitisation. (Source: Accounts of the Budget Committee Secretariat EP).

Climate financing

According to the new NegoBox, at least 25% of expenditure should be spent in a climate-relevant manner. This is slightly more than in the last MFF (20%), but to make the EU climate neutral by 2050, living up to the promises of the Green Deal, we need much more investment, and it must start now. This includes higher climate spending; 30% as soon as possible; 50% according to the Greens. In the long run, it is cheaper to invest now, in unity, than later and each Member State separately. With **every euro not invested each day**, the costs of climate change increase.

In climate proofing, it is the design that counts. We want a complete decarbonisation of the MFF. Climate-damaging projects must be disclosed and cancelled. This applies to all structural funds and a CAP reform. The proposal remains vague there.

Now, a few days after the decision to support gas projects, we have no faith that the proposal will be sufficient. We welcome regular climate progress reports for the subsidies.

Own Resources

In addition to traditional own resources, such as VAT revenue, the NegoBox provides for additional new ownresources such as a plastic tax with a tax rate of 80 cents per kilogram. Further revenues from emissions trading are also planned. For the duration of the MFF 2021-2027, the NegoBox leaves open the possibility to consider new own resources, such as a digital tax, kerosene tax, financial transaction tax or a CO2 border adjustment mechanism.

We need more commitment. Mr. Michel's declarations of intent will result in another seven years of no change. Within the framework of the MFF, we need at least an agreement on key points, which the states will sign before the negotiations are concluded.

Rebates

In contrast to the Commission proposal or the position of the European Parliament, the proposal of the President of the Council continues to provide rebates for Denmark, Germany, the Netherlands, Austria and Sweden. These rebates should be phased out.

Rebates are and remain non-transparent. If there is more movement and commitment to the level of the budget and resources than provided for in the current proposal, the proposed model can become part of the negotiations.

Outlook and Dates

The NegoBox will be negotiated in the General Affairs Council on 17th of February 2020 and will be used

as a basis for Council Conclusions of the European Council.

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