

7 October 2019

## **Multiannual Financial Framework 2021–2027 Preparation for the European Council on 17-18 October 2019**

The June 2019 European Council ‘called on Finland's Presidency to pursue the work and to develop the Negotiating Box. On that basis the European Council will hold an exchange of views in October 2019, aiming for an agreement before the end of the year.’ In order to meet the ambitious timeline, a focused and result-oriented discussion in October would provide substantial guidance for the Presidency's future work.

In July, Finland's Presidency sent Member States an MFF questionnaire, and in early September it held bilateral consultations with the General Affairs Council ministers. On the basis of this work, Finland's Presidency draws the conclusion that the key issues to be addressed in October are the overall level, the volumes of the main policy areas and the conditionalities and incentives.

### **Overall level**

At this stage, Member States' views differ on the overall level of the future MFF. In preparing for the final stages of negotiation, the Presidency aims to move towards the middle ground so that, at the end, a compromise can be achieved among all Member States in the European Council.

In assessing the way towards a balanced level of expenditure, some factors related to the revenue side also need to be taken into account as they form an integral part of the final MFF agreement. Firstly, the general context of the reduced financial capacity of the future EU of 27 Member States needs to be taken into account. Secondly, an agreement on sizable and genuine new own resources seems unlikely as only the proposal for a plastic-waste-based own resource gains broad support. Thirdly, given the timetable set by the European Council, any additional proposals would need to be assessed in a wider- and longer-term context of EU financing.

The Member States have emphasised the need for flexibilities within the MFF, which has already been reflected in the Commission's proposal. Increased flexibility on the expenditure side enhances more effective use of EU funds. From this point of view, flexibilities are a relevant factor as regards the overall level.

The question of whether the commitments and payments of the special instruments are placed inside or outside the MFF ceilings also needs to be agreed in the final stage of negotiations.

Based on the consultations with the Member States, the majority of views on the overall level differs between 1.00 % and the Commission's proposal of 1.11 % (EU27 GNI). In taking the negotiations forward, the Presidency sees that the overall level range is to be symmetrically narrowed from both ends.

### **The volumes of the main policy areas**

The Presidency considers it possible to strike a balance between new challenges and traditional policies, in line with the Member States' views.

In general, the modernised approach proposed by the Commission, geared towards the political priorities and new challenges, has gained broad support from the Member States. At the same time, the importance of continued support for Cohesion policy and the Common Agricultural Policy (CAP)

has been highlighted by many Member States. Consequently, the proposed changes in the Presidency's approach are not linear across-the-board adjustments.

The Presidency's approach is based on the following principles:

- 1) Keeping the modernised division between the policy shares (approx.  $\frac{1}{3}$  to Cohesion,  $\frac{1}{3}$  to CAP and  $\frac{1}{3}$  to other policy areas, excluding administration).
- 2) Balancing the proposed decrease between Cohesion and CAP, so that both policies would face a similar level of decrease compared to the current MFF.
- 3) Increasing funding for other policy areas, but limiting the level of increase proposed by the Commission.

This approach would continue the modernisation trend of the MFF as the other policy areas would still form the highest share of the MFF. At the same time, the decrease for Cohesion policy and the Common Agricultural Policy would be more balanced. This would ensure a budget for the future, closely aligned with EU priorities, both traditional and new.

### **Policy coherence and conditionalities**

EU expenditure needs to be in line with EU policies and values. Here, both conditionalities and positive incentives are needed, especially in relation to the MFF Rule of Law mechanism as well as migration and climate policies.

Regarding the MFF Rule of Law proposal, significant progress was made during the Romanian Presidency. Both the mechanism itself and its application criteria were clarified. Agreement is yet to be reached on the most political issues, namely the question of creating a mechanism linked to the rule of law and the question of an open or closed list of conditions triggering the mechanism.

On climate, from the Presidency's perspective, all Member States support the 25 % mainstreaming target, even if some see it as the maximum and others as the minimum. Further to the EU's climate targets and energy transition aiming for carbon neutrality, new means to support Member States need to be examined.

Migration is a global challenge, also in the years ahead. It is important that the future MFF responds to this challenge in several headings and programmes, as the Commission has proposed. There is a broad understanding among Member States on migration as a new challenge under the MFF and that the positive incentives regarding internal aspects of migration management in the current MFF need to be continued and enhanced.

### **To conclude**

This paper outlines the Presidency's approach regarding the way forward. The Presidency invites the European Council to reflect on the issues above and looks forward to a constructive exchange of views with tangible outcomes. This would give guidance to the Presidency when producing a final draft Negotiating Box with numbers for the final stages of the MFF negotiations.

The Presidency will cooperate closely with the President of the European Council in order to achieve the greatest possible progress on the MFF.

The Presidency will also cooperate closely with the European Parliament in line with the procedures set out in the Treaty, and will continue its close cooperation with the European Commission.