

Multiannual financial framework for the years 2014-2020

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The Council discussed the EU's multiannual financial framework (MFF) for the 2014-2020 period on the basis of a revised negotiating box prepared by the Cyprus presidency. It also took note of the presentation by the Commission of its [proposal for a new value added tax \(VAT\)-based own resource](#).

Ministers welcomed the work undertaken by the Cyprus presidency and expressed their willingness to reach agreement at a special European Council scheduled for 22-23 November.

Comments focused on the following issues:

- **the overall expenditure ceiling:** some Member States welcomed the presidency's intention to reduce the figures proposed by the Commission and insisted on the need for better spending. Others defended the Commission proposal, arguing that the MFF was the major investment tool for promoting growth and creating jobs, while agreeing with the importance of a high quality of spending which in their view needed to be ensured in all expenditure areas;
- **expenditure ceilings for individual headings:** some delegations insisted that cuts should be made in all individual headings. Some opposed any reductions in cohesion policy, some objected to cuts in the Common Agricultural Policy (CAP) and some considered the amounts proposed for both, cohesion policy and CAP, to be a strict minimum;
- **the allocation of cohesion policy funds:** some member states deplored the removal from the negotiating box of the "reverse safety net", aimed at limiting the scope of support for a Member State compared to a certain percentage of its level during the 2007-2013 period. Others welcomed this modification, but voiced concern about a possible reduction of the maximum level of transfer ("capping rate") below 2.5% of GDP of each individual Member State ;
- **rural development:** some Member States insisted that the "past performance principle" for the distribution of EU support should be understood as the share of funds allocated to a Member State for the entire 2007-2013 period, rather than only for the year 2013 as intended by the Commission;
- **direct support in agriculture:** some Member States opposed the reduction of the EU average of direct aid per hectare. Others supported it if this contributed to a higher convergence of direct aid between Member States, or subject to exceptional provisions for Member States whose level of direct aid is lower than the EU average,
- **unused commitments ("reste à liquider", RAL):** some Member States welcomed the Presidency's intention to include provisions on this in the negotiating box, while others considered RAL to be a normal feature of the EU budget procedure, and that it should be addressed in that framework.
- **instruments inside and outside the MFF:** some Member States expressed concern at the suggestion that the EU's solidarity fund (SF) and the European globalisation adjustment fund (EGF) outside the MFF, rather than keeping the SF within the MFF's expenditure limits and discontinuing the EGF;
- **own resources:** several ministers stressed the importance of rules being simple, transparent and fair. Some deplored the fact that the negotiating box had not been revised on the revenue side. Others opposed any change on own resources. Some delegations supported the abolition of the current VAT-based own resource, as proposed by the Commission. Some were ready to examine this proposal, while others opposed it. The proposal for a new own resource based on a financial transaction tax¹ was supported by some Member States and opposed by others. Some member states insisted on keeping the system for collection of traditional own resources unchanged. This would mean that Member States would continue to retain, by way of collection costs, 25% of the

amounts collected by them, rather than 10% as proposed by the Commission. Some ministers were in favour of abandoning all correction mechanisms under the system of own resources; others insisted on maintaining existing correction mechanisms or at least keeping a guarantee of the current amount of correction under a new mechanism.

Procedure: the Cypriot Presidency held an exchange of views with representatives of the European Parliament before the Council meeting and debriefed them afterwards. The Presidency will reflect on the comments made by delegations and endeavour to fine-tune the negotiating box in order to further narrow down Member States' positions. **The objective is to reach agreement on the MFF package at the special European Council on 22-23 November.**

Timetable: the General Affairs Council will meet twice before the November European Council, on 16 October in Luxembourg and 20 November in Brussels. After the European Council of 18-19 October, the Presidency intends to issue a newly revised negotiating box with some ranges of figures. The President of the European Council, Herman Van Rompuy, will hold bilateral consultations starting from 5 November.

Further information on the negotiations may be found on the Council's MFF webpages:

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