PES Discussion paper – Multiannual Financial Framework latest

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Introduction

The next Multiannual Financial Framework (MFF) will determine the EU's spending priorities for 2021-2027. This is evidently a crucial exercise that must be properly dealt , but time is also of the essence. Global context will have an impact on how the budget for the next years will be designed: from climate change and migration to technological disruptions and trade tensions. Moreover, the United Kingdom's departure from the EU adds an extra complication to the negotiations, as the loss of its positive net contribution must lead either to increases in contributions, new own resources, or budget cuts. However, the Party of European Socialists remains confident that with sufficient political will the institutional players can reach an ambitious agreement in time for the elections.

1. Timeline

The European Commission set out its proposals for the next MFF in May 2018[1]. That same month the Parliament appointed its co-rapporteurs: Isabelle Thomas (S&D, FR) and Jan Olbrycht (EPP, PL). Their interim report stating the EP position on the MFF package was adopted in November 2018[2]. The December 2018 General Affairs Council (GAC) discussed the draft 'Negotiating Box'[3] presented by the Austrian Presidency. At the GAC the Romanian Presidency promised to present an updated draft Negotiating Box before the June European Council and set out the provisional work programme up to April.

[1] European Commission (2018), 'Legal texts and factsheets on the EU budget for the future'. https://ec.europa.eu/commission/publications/factsheets-long-term-budget-proposals_en

[2] European Parliament (2018), 'Interim report on the Multiannual Financial Framework 2021-2027 – Parliament's position with a view to an agreement', A8-0358/2018. http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A8-2018-0358&language=EN

[3] European Council (2018), 'Multiannual Financial Framework (2021-2027): draft Negotiating Box'. http://data.consilium.europa.eu/doc/document/ST-14759-2018-INIT/en/pdf

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Guaranteeing a smooth transition from the current to the future framework requires the MFF, aligned with the progressive priorities, to be agreed as soon as possible . The European Council's aim to reach an agreement by autumn 2019[4] is insufficiently ambitious. As the Parliament noted in its interim report, the late adoption of the last MFF created 'serious setbacks for the launch of the new programmes'. The PES believes the MFF 2021-2027 should be agreed before the Sibiu Summit on 9 May 2019.

2. Horizontal provisions

At the PES Lisbon Congress in December 2018, the PES adopted a resolution[5] that included the following statement:

> *It is not acceptable to weaken the main EU solidarity policies through drastic cuts. The EU must deliver on its commitment to implement the European Pillar of Social Rights and to be a frontrunner in implementing the UN Sustainable Development Goals (SDGs). The mainstreaming of the SDGs into all EU policies and initiatives of the next long-term budget is therefore important. To meet the new European challenges new own resources are necessary to finance the EU budget. They could reduce the share of current national contributions. To meet the new European challenges new own resources are necessary to finance the EU budget. They could reduce the share of current national contributions.*

The Parliament's interim report recommending the full implementation of the European Pillar of Social Rights and the mainstreaming of the SDGs goes in the same direction.

Table 1: Council and Parliament positions on key MFF horizontal provisions

	Council negotiation box	**EP interim report**
Total amount	To be agreed.	1.3% of EU-27 GNI = €1,324.1bn (in 2018 prices); up from 1% of GNI = ca. €1,000bn (in 2018 prices) in the previous MFF. Maintain the 2014-2020 level for several programmes, including those to be merged into larger programmes. New priorities shall be financed with new resources
Rule of law	Conditionality considered.	The mechanism should not impact beneficiaries: it should not affect the obligation of government entities or MSs to make payments to final beneficiaries.

[4] European Council (2018), 'European Council meeting (13 and 14 December 2018) – Conclusions'. https://www.consilium.europa.eu/media/37535/14-euco-final-conclusions-en.pdf

[5] Party of European Socialists (2018), 'Progressive economy', *PES Congress Resolutions*. https://www.pes.eu/export/sites/default/.galleries/Documents-gallery/Resolution_Economy_MR_NoCrops.pdf_2063069294.pdf

Rights/sustainability		All programmes should be in line with the Charter of Fundamental Rights, the European Pillar of Social Rights, the elimination of discrimination (LGBTI and minorities, notably Roma). The SDGs should be mainstreamed. There has been no progress on gender mainstreaming, there are no clear gender equality goals in the MFF. There should be gender budgeting.

3. Expenditure

The Parliament opposes cutting the funding of many of the existing programmes, notably the 'traditional' priorities that are cohesion and agriculture/rural development. It also believes programmes that are to be merged into larger ones (e.g. the new consolidated InvestEU and European Social Fund+ programmes) should not see their funding cut.

Table 2: Council and Parliament positions on key MFF expenditure provisions

	Council negotiation box	**EP interim report**
European Strategic Investments	InvestEU will group together all existing financial instruments (including EFSI – the 'Juncker Plan') Connecting Europe Facility to continue (amount TBD).	Increase allocation to reflect instruments folded into InvestEU. Increase CEF funding.
R&I	Horizon Europe, Digital Europe to continue, (amounts TBD).	Increase Horizon Europe funding to €120bn.
Cohesion Fund	Co-financing rates TBD.	Maintain current cohesion policy funding in real terms.
ESF+	ESF, EGAF, Youth Employment Initiative, Fund for European Aid to the Most Deprived, Employment and Social Innovation programme and Health programme to be merged	Double funding for youth unemployment in the ESF+ (relative to current YEI). €5.9bn for the Child Guarantee.
CAP	Merge Pillars I (market measures and direct payments) & II (Rural Development) of the CAP into a single programming instrument.	No cuts to CAP (specifically Rural Development).
Environment and Climate Action		Double LIFE+ funding. Introduce a specific allocation (€4.8bn) for a new Just Energy Transition Fund. In order to meet its Paris Agreement obligations the EU's contribution needs to be at least 25% of expenditure over 2021-2027, and 30% as soon as possible.
European Development Fund		Welcomes the inclusion of off-budget instruments. The EDF's 0.03% of EU GNI should be added in top of the agreed ceilings.

4. Own resources

At the PES Lisbon Congress in December 2018, the PES adopted a resolution[6] that included the following statement:

> *…we want Europe-wide taxes on CO2, in addition to a well-functioning EU Emissions Trading System…A price should be put on CO2 emissions of products entering the EU from countries which are less committed to climate protection, in a way that is compatible with international trade rules. These revenues could party flow into the EU budget and be used to finance the green and just energy transition, and to support the fight against energy poverty.*

Like the Parliament, we aspire to reduce the share of the GNI-based own resource. These new own resources could include the revenue from a digital services tax and a financial transaction tax.

Table 3: Council and Parliament positions on new own resources

	Council negotiation box	**EP interim report**
New own resources	• Emissions trading system tax; • CCCTB revenue (share of extra corporate income tax perceived by MSs thanks to the CCCTB); • Non-recycled plastic packaging contribution.	• CCCTB revenue; • Taxation of digital MNEs; • Emissions trading system tax; • Non-recycled plastic packaging contribution; • Financial Transaction Tax; • Carbon border adjustment mechanism.

Discussion topics

- Should the MFF include a mechanism punishing Member States that do not respect the rule of law and fundamental EU values? How could such a mechanism punish governments without punishing their citizens?
- Should the objective of reducing the EU's dependence on GNI-based own resources take precedence over maintaining current levels of spending?
- If the new Stabilisation Function ends up being included in the MFF, does the transformation of the MFF into a tool for loaning represent a radical shift? Is it desirable?
- If the Council will not reach an agreement before autumn, which programmes could be at risk and what should be the way forward in this negotiation process?

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[6] Party of European Socialists (2018), 'A healthy environment and food, green growth and modern industries', *PES Congress Resolutions*. https://www.pes.eu/export/sites/default/.galleries/Documents-gallery/Resolution_Enviroment_MR_NoCrops.pdf_2063069294.pdf