2011/0177(APP) - 05/12/2011 Debate in Council

The Council took note of a **progress report from the presidency** on the EU's multiannual financial framework (MFF) for the 2014-2020 period.
Ministers generally supported the progress report, which they considered to be balanced and a good basis for future work.
The incoming Danish presidency expressed its intention to continue the technical exploration of the Commission proposals before trying to narrow the gaps between member states' positions. The aim is to **ensure adoption of the MFF by the end of 2012**.
All delegations agreed with the Commissions approach and supported the proposed duration of **seven years** for the next MFF. The general principle of **flexibility** was welcomed by delegations, provided it was not to the detriment of budget discipline.
In particular, whilst at this stage of the negotiation specific discussions on the overall amounts of expenditure allocated to the different headings were not held, several delegations underlined the general need for the MFF to reflect efforts made at the **national level** as regards fiscal consolidation. In this context they felt a **lower overall level of expenditure** than in the Commissions proposal would be more appropriate. At the same time, several delegations stressed the importance of ensuring appropriate financing of EU common policies so that the multiannual financial framework contributes adequately to addressing common challenges.
The **key issues** discussed are as follows:
(1) Structure: two issues were discussed in detail:

- **Heading 1**: the option of keeping the expenditure for **economic, social and territorial cohesion** separate was supported by several delegations. Concerns were also expressed over the interplay between the cohesion policy and the "Connecting Europe Facility" and there were some calls in favour of keeping the two areas separate from each other.
- **Instruments outside the MFF**: a group of Member States called for putting all instruments inside the MFF, in particular for reasons of transparency, control and unity of EU expenditure. Among these delegations, some insisted in particular on the inclusion of ITER and GMES. Some delegations would however differentiate and could accept that the European Development Fund would remain outside the MFF, due to its specific modalities and purpose. Some delegations considered that the unpredictability of expenditure linked to ITER and GMES also called for keeping them outside the MFF. Some Member States expressed the view that these instruments should be examined on a case-by-case basis. Some delegations considered that the flexibility instruments should continue to remain outside the MFF as is the case today.

(2) Smart and Inclusive Growth (except cohesion and CEF): many delegations pointed to this area as bringing a **true added value of EU action**. In this context, they welcomed the concentration on areas promoting growth, competitiveness and job creation such as research, innovation small and medium-sized enterprises, job creation and education in line with the Europe 2020 strategy.
10. The general effort for simplification was welcomed.
At the same time, some stressed that **simplification** should not only mean the reduction and rationalisation of the instruments themselves, but also the streamlining of procedures for managing the funds. In this context, a few delegations regretted that the merger of instruments resulted in a decreased visibility of some important programmes, in particular in the field of Education, Youth and Culture.
The proposed main areas for expenditure in the field of research and innovation ("excellence in the science base"; "tackling societal challenges"; "creating industrial leadership and boosting competitiveness") were broadly welcomed.
(3) Economic, social and territorial cohesion: a majority of delegations suggested that support from cohesion policy should be concentrated to the less developed regions and Member States, others supported the Commission's proposals for a broader geographical scope of support. Delegations were split on the level of **allocation**, some finding it too low, others too high.
The **different types of conditionality** proposed by the Commission raised questions.
The creation of the category of "**transition regions**" was challenged by most delegations, in particular because of the need to concentrate support on the less developed regions. Some delegations insist that the normal phasing-out solutions (i.e. similar to the current and past MFFs) for the regions leaving the current convergence objective would be sufficient, while others pointed to a fair phasing-out regime ("safety net"). Others welcomed it as a measure of ensuring equal treatment for regions with similar conditions. A flexible solution for capital regions was advocated by a number of delegations. A number of delegations had difficulties with the proposed **capping** (at 2.5%). Some delegations expressed the wish to maintain the co-financing rates at their current level, whilst others agreed on those proposed by the Commission and a few asked for them to be lowered.
(4) Connecting Europe Facility: the objectives pursued with the proposed creation of the Connecting Europe Facility were largely supported, even though a number of delegations requested more clarifications from the Commission. Some delegations also flagged that the proposed increases for the 3 policy areas as compared to the current framework are too high. The ring-fencing of **EUR 10 billion in the Cohesion Fund for TEN-T projects** raised the concerns of some delegations, in particular as regards its implications for the allocations of cohesion funding, the process of selecting projects and the way they are managed. The enhanced use of innovative financial instruments was received positively, even though it was stated that more analysis is required. Some delegations expressed more reserved views by calling for the need to analyse deeper the functioning of existing instruments.
(5) Common Fisheries Policy: delegations gave a positive welcome to the general principles of the Common Fisheries Policy. Given that the proposals concerning the European Maritime and Fisheries Fund were not yet adopted by the Commission, further work will be needed on the specificities.
Views diverged on the level of the **budget** with some delegations supporting the Commission proposal to stabilize spending on 2013 level in nominal terms, while some others arguing for a more restrictive approach to agriculture related spending. The proposed modalities for the convergence of direct payments in the Common Agriculture Policy raised some questions. Further **greening** of the direct payments was not opposed as such, but several delegations stressed the need for this to be done efficiently and proportionally. As regards **rural development**, some delegations welcomed its inclusion in the Common Strategic Framework, but questioned it being subject to macro-fiscal conditionality.
(6) Security and Citizenship: particular emphasis was put on the large scope for added value of the EU action in the field of security and citizenship. In this context, some delegations pointed in particular to the need for enhanced EU action in the area of migration, borders and the external aspects of EU policies in this domain. In this context, a few delegations questioned the inclusion of the **Return Fund** into the **Migration and Asylum Fund**, in particular as regards its implications for the approach to external borders and internal security.

(7) Global Europe: several delegations welcomed the Commission proposal relating to "Global Europe". They insisted on the need to reflect, through the EU budget, the **priorities, values and interests** of the European Union in the world.

A number of delegations supported the priority to respect the EU's formal undertaking to commit 0.7% of gross national product (GNP) to **official development assistance** (ODA) by 2015. Some however expressed doubts on the fact that as much as 15% of the collective EU ODA effort should come from the EU budget and the EDF.

Views were divided over the treatment of the **European Development Fund (EDF)**. While a number supported the Commission proposal to keep, for the time being, the EDF outside the MFF, some called for its budgetisation. Some delegations favoured an increased focus on the **European Neighbourhood Instrument and the Pre-Accession Instrument**, whilst a few others questioned the rationale of keeping their allocations at the proposed levels.

(8) Administration: a large number of delegations welcomed the Commission proposal to rationalise administrative expenditure. In this context, they welcomed the Commission proposal for a **5% reduction in the staffing levels of each institution**, service, agency and other bodies In addition, some delegations called for enhanced specific solutions relating to a **sustainable pensions system**.

(9) Own resources: the general principles underlying the new proposal for the system of own resources of the European Union were welcomed by a large majority of delegations. Most delegations took a positive view about the **elimination of the current VAT-based own resource** on 31 December 2013. Many delegations abstained from taking position on the new VAT own-resource for the time being as the Commission proposals would need further examination.

Lastly, some delegations raised the question of the **macro-economic assumptions** on which the Commission based its proposals. These delegations favoured the use of actual growth data from the past - the 10 year historical average - rather than the forecasts for future GDP, arguing that such forecasts are difficult and error prone.