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European Union

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**NOTE**

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From: Presidency  
To: Council

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Subject: Multiannual Financial Framework (MFF) 2021-2027: State of play

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Delegations will find in Annex a note by the Presidency outlining the state of play concerning the Commission proposals adopted on 2 May 2018 on the Multiannual Financial Framework (MFF) 2021-2027, in view of the General Affairs Council meeting on 16 October 2018.

**I. INTRODUCTION**

1. In line with the guidance of the June 2018 European Council, the Presidency seeks to advance work on the Multiannual Financial Framework (MFF) package in a comprehensive manner and as soon as possible.
2. To facilitate work at all levels, the Presidency wishes to continue informing Ministers on the examination of the MFF package in the Council. This second<sup>1</sup> report outlines work carried out since the previous General Affairs Council (GAC) on the basis of discussions held in the ad-hoc working party (AHWP MFF) as well as the working party on Own Resources (WPOR), and input from delegations between 19 September and 5 October 2018.
3. Following discussions in the GAC meeting of 18 September 2018, the Presidency started work at technical level to identify possible elements of the future draft Negotiating Box (NB) in the AHWP MFF (four meetings<sup>2</sup>), while continuing the examination of Own Resources proposals (two meetings<sup>3</sup>).
4. By identifying possible elements of the future draft NB, the Presidency wishes to provide a comprehensive overview of all the issues and possible options that need to be further discussed and streamlined at political level. The possible elements of the future draft Negotiating Box are drawn up and developed under the sole responsibility of the Presidency. They are not binding on any delegation.
5. The AHWP MFF first discussed the possible structure for the future draft NB. Then, over the course of several meetings, delegations exchanged views on possible elements of the future draft NB relating to Horizontal issues, Headings I (Single Market, Innovation and Digital), III (Natural Resources and Environment), V (Security and Defence) and VII (European Public Administration). COREPER was informed of the work achieved and provided political guidance on 3 and 10 of October 2018.

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<sup>1</sup> A first report was tabled ahead of the General Affairs Council of 18 September 2018 (doc. ST 11871/18)

<sup>2</sup> 19, 24 and 28 September 2018 and 5 October 2018.

<sup>3</sup> 21 September 2018 and 9 October 2018.

6. The identification of these possible elements remains a work in progress, as these elements will continue to evolve to take account of discussions in the AHWP MFF, WPOR, COREPER and GAC.
7. The Commission continues to facilitate work at technical level, in particular providing additional answers to delegations' questions.

## **II. STATE OF PLAY IN THE COUNCIL**

8. Without prejudice to the ongoing discussions, the Presidency would like to highlight a limited number of topics.

### ***Horizontal issues***

9. Further work will be required to find the **right balance** for the budget to respond to current and future challenges and political priorities in a Union of 27. This includes Cohesion and Agriculture and delivering on the agenda agreed by Leaders in Bratislava and Rome.
10. Though all delegations support the idea of adequate **flexibility**, views continue to vary on its components in relation to the overall architecture of the MFF. In particular, different positions remain on the issue of certain flexibility instruments being counted either above or below the ceilings for commitments and payments. Some delegations want to simplify the structure of these instruments, highlighting the complexity of the current system.

### ***Specific Headings***

11. On **Heading I (Single Market, Innovation & Digital)**, the debate so far showed a necessity to further discuss the excellence criteria in Horizon Europe, the complementarity between programmes and transfers from Cohesion Fund to CEF.

12. On **Heading III (Natural Resources & Environment)**, in addition to the importance of the Treaty-based objectives of the CAP and its contribution to fulfilling climate targets, the following points were identified as key for upcoming discussions:
- i) the external convergence of direct payments as well as the capping of these direct payments for large farms;
  - ii) the co-financing of rural development, including a possible threshold for transition regions;
  - iii) the agricultural reserve.
13. On **Heading V (Security & Defence)**, the debate focused on the Union support for nuclear decommissioning projects.
14. On **Heading VII (European Public Administration)**, delegations underlined the importance of transparency as concerns administrative costs and called for further efficiency gains and savings in a future Union of 27.

#### ***Own Resources***

15. To facilitate discussions in the WPOR, the Commission provided a number of technical fiches with data and assumptions for the projections of the proposed simplified VAT-based own resource, the proposed new EU own resources, traditional own resources (TOR) and the GNI-based own resource. Additional data by the Commission is still needed to allow for precise calculations on the impact of the proposals on national contributions.

### **III. RELATIONS WITH OTHER INSTITUTIONS**

16. In line with the approach outlined in the letter of 2 May 2018 from Bulgarian Prime Minister Borissov, the Presidency has continued the established practice of organizing exchanges of views with representatives of the European Parliament before and after each General Affairs Council meeting when the MFF is on its agenda. The Presidency met with representatives of the European Parliament (EP) on 17 September 2018 before the GAC meeting to inform them of the state of play of work and on 25 September 2018 to inform them of debates held in the GAC meeting of 18 September 2018.

17. On that occasion, the EP representatives raised the question of the timeline of the MFF negotiations and the importance of related negotiations on Own Resources. They explained that the EP would vote on a report on the MFF package by mid-November, which would pave the way for agreeing on the EP negotiating mandates for most sectoral proposals.
18. Following the invitation from COREPER to the European Economic and Social Committee (EESC) and to the Committee of the Regions<sup>4</sup>, the EESC adopted on 19 September 2018 its opinion on the MFF package<sup>5</sup>.

#### **IV. NEXT STEPS**

19. After the GAC meeting of 16 October 2018, the Presidency intends to pursue the same approach and identify, discuss and gradually elaborate, with delegations, additional possible elements of a future draft Negotiating Box.
20. The General Affairs Council will return to this file at its meeting of 12 November 2018.

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<sup>4</sup> cf. doc. ST 10993/18. The Committee of the Regions is expected to adopt its opinion on the MFF package on 9 October 2018.

<sup>5</sup> cf. doc. ST 12651/18