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- Presidency Progress Report

Delegations will find attached the Presidency's Progress Report on the work carried out under the Belgian Presidency on the subject above, which will be presented at the General Affairs Council of 25 June 2024 as an AOB item.

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Belgian Presidency Progress Report on the Future of Europe

I. Introduction

As stated by the EU Heads of State or Government in the Granada Declaration (6 October 2023) and by the European Council of 14-15 December 2023¹, in parallel to the reform efforts by aspiring members, the EU needs to lay the necessary internal groundwork and reforms, with a view to making the EU stronger and enhancing European sovereignty. In the same line, the European Council of 14-15 December 2023 considered that successful European integration requires that Union policies be fit for the future and financed in a sustainable manner, based on the values on which the Union is founded, and that the EU institutions continue to function effectively. The European Council also decided that, by summer 2024, it will adopt conclusions on a roadmap for future work on internal reforms.

In this framework, in support of the work of the European Council, and building on the work carried out under the Swedish and Spanish Presidencies, the Belgian Presidency facilitated work between January and June 2024 on the Future of Europe and in particular on EU internal reforms. It held exchanges of views during the informal meeting of the Directors General for European Affairs on 18-19 January, the General Affairs Council on 19 March and the informal meeting of the General Affairs Council on 30 April. The latter included dedicated sessions on the rule of law and on possible constitutive elements in view of a roadmap on internal reforms. In parallel, the Presidency nurtured the reflection on an in-depth level with dedicated events, namely a Seminar for Directors of EU Institutional Affairs on the potentialities of the EU Treaties concerning EU decision-making on 14-15 March, as well as the Annual EU Budget Conference on 29 April, co-organized with the Commission, focused on the role of the EU budget in making Europe fit for the future, and followed by an expert level seminar.

II. Main takeaways

Following the above-mentioned discussions on the different aspects of EU internal reforms, several takeaways can be drawn, which may valuably inform the work of the European Council and upcoming Council Presidencies.

¹ EUCO 20/23

The EU as we know it has not been conceived for today's polarized, fragmented world order. During the Belgian Presidency, convergence emerged that the need for reforms actually stems from the triple challenge for the EU to (1) retain and improve its internal functioning and capacity to act, (2) adapt to a new geopolitical environment and a rapidly changing world and (3) prepare for enlargement, in order to give all current and future EU citizens the sustained perspective that the Union fosters and ensures their prosperity and security. This rationale should remain the backbone of our future work.

A. EU values

The EU is primarily a Union of values, built on respect for the rule of law and democracy. Both the EU and aspiring members need to continuously ensure that the rule of law remains at the core both of the EU itself and of the accession process. Existing mechanisms should therefore continue to be used swiftly and effectively to protect EU values as soon as they are threatened. Member States considered that, amongst others, the rule of law toolbox is already well-equipped and, if used to its full potential, would allow for further progress. Further reflection is needed on how to further strengthen these tools to ensure the rule of law is consistently upheld across the EU. At the same time, a revision of the Treaties in this regard is not considered desirable at this stage. The importance of the European Public Prosecutor's Office (EPPO) was stressed, and strong support was voiced for the candidate countries' close cooperation with EPPO. Member States also emphasized the effectiveness of financial conditionality, while pointing out that some procedures could benefit from further clarification. Moreover, Member States underlined the crucial role of civil society and the need to clarify the Article 7 TEU procedure, specifically on the timeline and possible suspension of rights. Finally, Member States could support the inclusion of candidate countries in the annual rule of law dialogue.

B. EU policies

Member States considered that work on internal reforms should examine all relevant EU policies. These should include both policies most likely to be impacted by enlargement, as well as policies that require futureproofing, including in the aftermath of the succession of crises in Europe. This reflection should take place with the strategic long-term objectives for the next institutional cycle as well as other challenges and trends with a longer time perspective in mind. In particular, the Single Market, EU Competitiveness, Common Agricultural Policy, and Cohesion Policy were specifically highlighted as fundamental EU policies requiring careful examination. Policies such as Freedom, Security and Justice, Common Foreign and Security Policy (CFSP) and Common Security and

Defence Policy (CSDP) were also noted as key in this context. Member States also raised the importance of sectoral policies as elaborated in the Granada declaration, such as competitiveness, defence and defence industry, economic security, crisis preparedness and the green and digital transition. The use of strategic foresight in this respect is essential for policy makers to stay on course.

The importance of having assessments, analyses and data was also underlined by Member States. The Commission's upcoming in-depth policy reviews², Enrico Letta's Report on the Future of the Single Market, and Mario Draghi's upcoming report on the future of European competitiveness, were mentioned in this context.

C. EU Budget

Considering the financing needs stemming from current and future challenges, the EU budget will play a pivotal role in addressing our common EU priorities and for the EU as a geopolitical actor. There was a broad acknowledgement that the future EU budget will need to be discussed and determined taking into account the overall context of the next Multiannual Financial Framework (MFF). Caution was called for against a business-as-usual approach for the next MFF negotiations.

For the spending component of the EU budget, the innovative nature of performance-based instruments combining reforms and investments is currently fuelling the debate on the shape of future EU spending instruments. On the other hand, it is too early to draw conclusions on the implementation of the Recovery and Resilience Facility. In parallel, Member States also called for concrete ways to alleviate the administrative burden associated with EU funds implementation.

Regarding the revenue side of the EU budget, there has been no progress in reaching a unanimous decision on the adjusted proposal for new own resources, as presented by the Commission on 20 June 2023, despite the European Council's conclusions on 1 February 2024 reaffirming the Union's commitment to continue to work towards the introduction of new own resources. As the cut-off date on 1 January 2028 to start the reimbursement of the principal of Next Generation EU funds rapidly approaches, progress on the revenue side of the EU budget will be key. Whereas many consider that negotiations on new own resources should go hand in hand with the post-2027 MFF negotiations, others still aim for an agreement before the proposal for the next MFF. Several Member States

² On 20 March 2024, the Commission adopted a Communication on pre-enlargement reforms and policy reviews, as its contribution ahead of the adoption by summer 2024 of the European Council conclusions on a roadmap for future work and paving the way for the Commission's in-depth policy reviews expected in early 2025.

mentioned that fair burden sharing between Member States should remain the overarching element guiding the introduction of new own resources, with the GNI key as a clear objective so as to avoid a zero-sum game between Member States. Member States also favoured genuine own resources that do not (already) stem from national budgets.

D. EU Governance

The need for the EU to retain and improve its capacity to act in terms of its internal functioning was confirmed at several meetings. At the same time a pragmatic approach gained overall support, underlining the need to explore the potentialities and flexibilities of the current EU Treaties to this aim. The Presidency gained large support in broadening the scope of the discussions on decision making procedures to the larger topic of governance, which also covers reform efforts with the aim of improving the overall working methods and functioning of the EU and its institutions from policy conception, impact assessments and analysis to implementation. These reform efforts should improve both the enforceability and the enforcement of EU policies and legislation.

The possibility to increase the use of qualified majority voting in some (subdomains of) policy fields (such as CFSP, social policies, taxation and the internal market) by using the passerelle clauses foreseen in the Treaties gathered some support. The importance of an accompanying mechanism to preserve vital interests of Member States was recalled.

When unanimity is the voting rule, the possibility of an increased use of constructive abstention in CFSP was explored. Another possible avenue discussed was framing the use of veto rights through a political commitment by Council members to limit recourse to their veto rights only for vital and stated reasons of national policy directly related to the specific act at stake, in line with the principle of sincere cooperation. The possible avenue for Member States to politically commit to explain their vote when they use their veto right was also explored.

E. Future work on EU internal reforms

At its meeting at the end of June 2024, the European Council is expected to adopt conclusions on a roadmap for future work on internal reforms, as stated in its Conclusions of 14-15 December 2023.

To feed into the work of the European Council, Member States discussed possible constitutive elements in view of this roadmap at their meetings in the General Affairs Council and at the informal meeting of the General Affairs Council on the basis of a Presidency note.

The Presidency's approach received strong support from Member States. In this context, several Member States referred to the three drivers underpinning the internal reform agenda, highlighting the necessity for the EU to be ready to face future challenges. There was broad support that work on reforms should focus on EU values, policies, the budget and governance, while the budget will be addressed taking into account the upcoming MFF negotiations. Discussion on possible formal adaptation of decision-making procedures will require more time. Member States underlined the importance of better communicating with citizens in this context, so as to ensure public support for the reforms.

In line with these discussions, the possible elements in view of a roadmap suggested by the Presidency are included in Annex to this Progress Report.

Possible elements in view of a roadmap on internal reforms

As recalled by the European Council at its meeting on 23-24 June 2022, the integration of new Member States in the EU depends on the fulfilment of the Copenhagen criteria¹ in their different aspects: (i) those that are addressed to the candidate countries; and (ii) the one that is addressed to the EU itself, on its capacity to maintain and deepen its own development, including its capacity to integrate new members.

In line with the Granada Declaration, the European Council stated that "*As the Union enlarges, successful European integration requires that Union policies be fit for the future and financed in a sustainable manner, based on the values on which the Union is founded, and that the EU institutions continue to function effectively*"², and that enlargement and internal reforms should "*advance in parallel to ensure that both future Member States and the EU are ready at the time of accession*"³.

The aim of this note is to provide possible elements in view of the roadmap for future work on internal reforms, to be adopted by the European Council by summer 2024. Building on the efforts of the Swedish and Spanish Presidencies, these elements are based on the discussions on the future of Europe in the General Affairs Council (19 March 2024), in the informal meeting of Ministers for EU Affairs (30 April 2024) and in the informal meeting of Director-Generals for EU Affairs (19 January 2024), as well as on the Commission's Communication on pre-enlargement reforms and policy reviews adopted on 20 March 2024.

Main principles

- The basic objective of the reforms is to give all current and future EU citizens the sustained perspective that the Union fosters and ensures their prosperity and security, through unity and solidarity, sincere and inclusive cooperation, and respecting the subsidiarity principle.
- The internal reform agenda is underpinned by three drivers:
 - The need for the EU to retain and improve its capacity to act, in terms of its internal functioning.

¹ European Council in Copenhagen, 21-22 June 1993, Conclusions of the Presidency

² European Council conclusions of 14-15 December 2023.

³ European Council conclusions of 21-22 March 2024.

- The necessity for the EU to adapt to a new geopolitical environment and a rapidly changing world.
- The need for the EU to prepare for enlargement. The reform process should take place in parallel to the enlargement process. The enlargement process is merits based and follows its own rhythm.
- In the work on internal reforms and the improvement of the EU's governance, all flexibilities and potentialities should be explored.
- The roadmap should set up the process for the work on internal reforms in a pragmatic way, remain flexible, and could be completed and developed as necessary.
- Work on EU internal reforms should be based on the following four blocs: EU values as the fundamental and overarching framework, EU policies, EU budget (taking into account the MFF negotiations) and EU governance.
- Political timeframes, rather than artificial or absolute deadlines, could be included in the roadmap, notably the Strategic Agenda, the Commission's proposal for the next MFF expected in July 2025, as well as the Commission's in-depth policy reviews expected for 2025.
- The process should be driven by the Member States at different levels:
 - European Council to steer the process, provide strategic guidance and task GAC.
 - GAC to prepare European Council discussions, to follow-up to the European Council guidance and taskings and to coordinate the possible input of other Council configurations when needed.
 - COREPER to prepare GAC and European Council discussions on this issue.
 - Possibility to consider supporting the work of the Council on this issue by Member States' experts/senior officials.
- This Member States-led process should be supported by the Council Presidency in cooperation with the GSC.
- Reflections on reforms require analyses, assessments, and data. In particular, the input from the Commission will be important, starting with its Communication on pre-enlargement and policy review (20 March 2024) and its upcoming in-depth policy reviews (expected in 2025) as well as further possible assessments and reports (e.g., High-Level Report on the future of the Single Market and Report on the future of European competitiveness). Furthermore, the European Parliament adopted a Resolution on deepening EU integration in view of future enlargement on 29 February 2024.
- Communication, transparency towards and involvement of citizens are important in this context in order to ensure public support for the process. The preparations to be undertaken by the candidate countries on one side, and by the EU on the other side, should be clearly explained to citizens. The same holds for the benefits of enlargement and EU internal reforms, in particular as regards the measures taken to address the related challenges.

Main steps

Step 1: Definition of long-term ambitions and common objectives of an enlarged and future-proof EU, capable to act effectively in the face of a new geopolitical reality and increasingly complex challenges, and ways of achieving them (this exercise includes, but goes beyond the Strategic Agenda 2024-2029, to be adopted by the European Council in June 2024).

Step 2: Reflections on possible reforms on (1) EU values, (2) EU policies, (3) EU budget, and (4) EU governance:

1. EU values: reflect on how to further strengthen existing EU tools and processes to ensure the respect and protection of the rule of law and fundamental values across the EU.
2. EU policies: We need to further identify, define, elaborate, and review EU policies, including inter alia the Single Market, competitiveness and related key policies, green and digital transition, Common Agricultural Policy, Cohesion policy, area of Freedom, Security and Justice and the Common Foreign and Security Policy. Reflections should be substantiated with data, in particular the Commission's upcoming in-depth policy reviews expected in 2025. Next to the impact by enlargement, the policy priorities identified in the Strategic Agenda should also be taken into account.
3. EU budget: As announced in its Communication on pre-enlargement reforms and policy reviews, enlargement will be one of the topics factored in the upcoming Commission proposal for the next MFF (2028-2035) expected in July 2025. Taking into account the next MFF discussions, we should scrutinize how the future EU budget should/could evolve, including through the possible reform of the own resources system.
4. EU governance: we should explore the potentialities and flexibilities offered by the current Treaty framework, inter alia regarding:
 - the working methods of the institutions, from policy conception and analysis to implementation and enforcement;
 - the Council's capacity to decide, which could, over time, be improved by triggering passerelle clauses linked to appropriate safeguard mechanisms, as well as by framing the use of veto rights;
 - gradual integration, facilitating an incremental, but also reversible, implementation of measures, rights and obligations over time, building on the relevant legal instruments, while fully acknowledging that the ultimate goal of the accession process is full membership, and while fully preserving the integrity of the Union;
 - allowing the mechanisms that enable some Member States to cooperate closer in specific cases (thanks to e.g., enhanced cooperation), while maintaining openness and inclusiveness and respecting the fundamental principles and the integrity of the Union, including the Single Market.

Step 3: Reflections on the instruments and ways to introduce those possible reforms. In this context, in its recent Communication on pre-enlargement reforms and policy reviews, the Commission has announced possible substantive reform proposals in individual sectors, building on the outcome of the reviews.