

Delegations will find below a draft note by the Presidency on the state of play of work undertaken in the Friends of the Presidency group (MFF Review/Revision) since the adoption of the Commission proposals on 14 September 2016, with a view to the COREPER meeting on 12 October 2016.

**I. Context**

1. In accordance with Article 2 of the MFF Regulation, the Commission presented on 14 September 2016 a Communication on the mid-term Review/Revision of the MFF 2014-2020[[1]](#footnote-1). This review was accompanied by the following legislative and inter-institutional proposals:

* A proposal for amending Council Regulation No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020, as amended by Council Regulation No 2015/623 of 21 April 2015[[2]](#footnote-2); [[3]](#footnote-3);
* A proposal for amending the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management[[4]](#footnote-4);
* A proposal for amending Decision No 2015/435 of the European Parliament and of the Council of 17 December 2014 on the mobilisation of the Contingency Margin[[5]](#footnote-5);
* An "Omnibus" proposal to simplify financial rules under the Financial Regulation and relevant basic acts[[6]](#footnote-6).

2. COREPER tasked the Friends of the Presidency group (MFF Review/Revision)[[7]](#footnote-7) to review the Communication of the Commission, as well as the proposals amending the MFF Regulation, the Interinstitutional Agreement and the decision on the mobilisation of the Contingency Margin.

3. The Friends of the Presidency group (MFF Review/Revision) met on 23 and 29 September, as well as on 4 and 7 October. The Commission provided information orally and in writing and the Council Legal Service contributed to discussions with two opinions[[8]](#footnote-8).

4. The present note summarises the main lines of discussions.

**II. Horizontal questions**

5. Many delegations pointed out to the lack of details provided by the Commission during the course of the examination of its proposals, mainly on top ups as well as the overall impact of Commission´ s proposals on payments. They regretted that the absence of requested information risked slowing down progress on the file. Also in this context, a number of delegations questioned the necessity of making swift progress in the proceedings.

6. Some delegations regretted that the possibility of the UK leaving the EU was not reflected or factored in the MFF Review/Revision.

*Priorities and scope*

7. Delegations in general agreed with the Commission's assessment of the context of EU action and the new political priorities identified in the Communication. Broad majority of delegations is of the opinion that migration and security is a high priority.

8. A group of Member States stressed in connection with the new political priorities the need for reprioritization and budgetary neutrality as well as not creating an extra burden to national budgets. They stated their strong preference for resorting to redeployments rather than relying on a recourse to margins to finance new identified priorities. According their opinion any extra flexibility should be compensated.

9. Another group of Member States recalled that the priorities identified in 2013 remained valid, including agriculture and cohesion, and noted that pre-allocated national envelopes were to be excluded from the scope of the review. Some delegations insisted on the importance of the predictability and stability of the MFF framework, as well as on the important of ensuring a balanced framework.

10. A majority of delegations noted that the payment pressure will increase towards the end of the period, and called for careful assessment of the situation. Several delegations underlined the importance of avoiding the future building up of an unsustainable backlog of outstanding payment claims at year-end.

11. A large number of delegations insisted that discussions on top ups as well as increased flexibility and discussions whether payments connected with the use of special instruments were interlinked, and should be treated as a package.

12. Some Member States also highlighted the need to set a new staff reduction target beyond 2017 in order to contribute to additional savings in the institutions' administrative expenditure.

*Ceilings*

13. Number of Member States insisted that ceilings established in the MFF Regulation provided the framework of the discussion on the Review/Revision, and should be respected.

14. Some delegations expressed concerns that the calls for voluntary contributions from Members States to complement EU budget contributions to ensure the financing of external action initiatives was a way to circumvent MFF ceilings.

15. A significant number of delegations expressed the view that payments for special instruments should be kept under the payments ceilings, and that it was premature to deduce from a forecast model that the available level of financing under the ceiling for special instruments would not match the needs. Other significant number of delegations expressed a reverse opinion and supported the Commission's proposal, with some delegations making the resolution of this question a prerequisite to continuing discussions on other parts of the package. A few delegations expressed some flexibility on this issue.

16. The Commission recalled its view that the proposals it had put forward were sustainable within the MFF framework only if special instruments were counted over and above the payment ceilings and the global margin for payments must be used to the full. It insisted that needs and payments for special instruments could not, by nature, be forecasted. It explained that should payments ceilings be imposed for special instruments, the level of the RAL (reste à liquider) would be impacted.

17. The Council Legal Service intervened to clarify that in its assessment, the Contingency Margin decision could not be used as a vehicle to establish a general determination applicable to all special instruments that payment appropriations for special instruments are to be mobilised over and above the MFF payment ceilings: such a determination is linked to the MFF Regulation and may only intervene by unanimous agreement within the Council. The Council Legal Service added that it was within the powers of the Budgetary Authority, when seized with a proposal for the mobilisation of a specific special instrument, to determine whether payment appropriations corresponding to that specific mobilisation are to be counted - in part or in full - above the MFF ceilings. Such determination on a case-by-case basis is to be made in accordance with the specific procedures foreseen in the IIA. These views were made available to delegations in ST 12776/16 as well as orally.

*Payment forecast*

18. The Commission presented to delegations a medium term payment profile running until 2020, together with the calculations and assumptions which supported its assessment. The analysis of the Commission indicated that the pre-2014 RAL would disappear by the end of 2017 at the same time as payment pressure for new programmes increases. The Commission noted that under its forecast, payments were sustainable even if the existing caps on the global margin for payments were retained. The Commission forecast of the financing of the proposed top ups would require in payments EUR 2.6 to 3.3 billion until 2020 (depending on the profile of the additional commitments).The Commission also underlined that the forecast was very sensitive to the pace of implementation of cohesion policy : a (+/-) 1% change in the pace of implementation is estimated to lead to a (+/-) EUR 4 billion change in payment needs.

19. Many delegations requested from the Commission additional clarifications of its financial assessment of the proposals put forward in the package. A number of delegations underlined that the Commission payment forecast was based on a number of assumptions which gave it some uncertainty.

**III. Flexibility**

20. Delegations welcomed efforts to improve the flexibility of the current framework to ensure that the EU budget is able to adjust swiftly to changing priorities and unforeseen events and to deliver rapidly on the ground. While this does not fall strictly under the remits of the FoP MFF Review/Revision work, delegations also saluted attempts to simplify financial rules applicable.

*EU Aid Reserve and Flexibility Instrument increased allocations*

21. The proposed increases for the Flexibility instrument and the EU Aid Reserve divided delegations: while some could agree with the Commission proposals, others opposed it in principle.

*EU Crisis Reserve*

22. While few delegations saw merit in studying and supporting the proposal from the Commission for a new EU Crisis Reserve financed from decommitments, a very large number of delegations found on the contrary that there is no demonstrated added value for such an instrument in comparison with existing instruments, and considered that it would add complexity to the current framework.

23. Many delegations raised the uncertainties as regards the level of available decommitments, and were concerned that the proposal could create an incentive towards decommitments which went against the principles of a sound management of public finances.

*Offsetting the Contingency Margin*

24. A majority of delegations welcomed the proposal tabled by the Commission to offset the mobilisation of the Contingency Margin in 2017 rather than spreading it until the end of the period.

25. Proposals concerning the global margins for payments and commitments prompted questions related to payments profiles.

**IV. Top ups**

26. Many delegations expressed concerns that there could not be at this stage any clarity on the precise use of the requested top ups, highlighting that this remained an important factor in assessing the proposals.

27. A small number of delegations showed openness to the proposals for top ups as presented by the Commission. Significant number of delegations explained that they could agree to top ups only if these were financed by reprioritizations and redeployments. These delegations also insisted that oversubscription of programmes did not equate results in the implementation.

28. There was broad support for the proposed reinforcement of actions in the field of migration and security.

29. However concerning Heading 1a, several delegations felt that the need for these top ups had not been demonstrated. Some delegations were of the opinion that it was premature to provide financing to Wifi4EU as the necessary legal basis was still under discussion, and that together with COSME these programmes did not correspond to urgent priorities at EU level.

30. A number of delegations questioned the Commission on the proposal to increase allocations for CEF and Horizon 2020, expressing concerns that it would amount to reopening the agreement on the financing architecture of EFSI. Referring to the proposal to extend EFSI notably through transfers from CEF energy, one delegation defended the importance of keeping the balance of the overall MFF Review/Revision package.

31. On the proposals related to the extension of the Youth Employment Initiative, while the aim was recognised as important, delegations pointed out that they were not in a position to seriously assess the results attributed to the initiative with the available information. Some delegations questioned the effectiveness of YEI in comparison with the ESF. A few delegations expressed difficulties with the requirements to match funds with ESF funding if these should be taken, as explained by the Commission, from funds made available under the technical adjustment of cohesion policy envelopes.

**V. Procedures and working methods**

32. The Council Legal Service clarified for the benefit of delegations the procedures applicable to the various elements of the package in ST 12778/16.

33. A number of delegations felt that financial implications resulting from the proposals featured in the MFF Review/Revision package should not be discussed as part of the draft budget 2017, as is the intention of the Commission. These delegations found it would be more appropriate to await the results of negotiations on the package and ensure the necessary follow up in a proposal for an amending budget in the course of 2017.

34. Some delegations were keen to ensure that the powers of the budget authorities would be retained as appropriate, and warned against encroaching on such powers through a far-reaching agreement on the MFF Review/Revision package.

35. Some delegations expressed their preference that the FoP MFF Review/Revision would ensure coordination of all the proposals forming the MFF Review/Revision package, including the Omnibus proposal. Number of delegations insisted on the importance of appropriate information between the respective strands of work in order to retain an overall assessment of the agreement.

36. The Presidency indicated its intention to focus on the main issues falling under the remits of the FoP MFF Review/Revision, while offering that the group could at a later stage broach other elements of the package.

**VI. Next steps**

37. The Presidency will present a state of play of discussions to the General Affairs Council of 18 October 2016, after necessary preparations at COREPER level on 12 October 2016.

38. The Presidency aims at finalising work on this file by the end of the semester.

1. ST 12183/16 + COR1 + ADD1 [↑](#footnote-ref-1)
2. OJ L 347, 20.12.2013, p. 884, and OJ L 103, 22.4.2015, p. 1. [↑](#footnote-ref-2)
3. ST 12184/16 [↑](#footnote-ref-3)
4. ST 12185/16 [↑](#footnote-ref-4)
5. ST 12186/16 [↑](#footnote-ref-5)
6. ST 12187/16 + ADD1-2 - Proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulations (EU) No 1296/2013, (EU) No 1299/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014,(EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council. [↑](#footnote-ref-6)
7. ST 12081/16 [↑](#footnote-ref-7)
8. ST 12776/16 and ST 12778/16 [↑](#footnote-ref-8)