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Multi-annual Financial Framework 2021-2027 : democratic illusion, do we stop or carry on ?

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The European Parliament differs from those of democratic nations in that it does not have control over budget resources. The governments of the Member States hold the purse strings since they determine the contributions, they themselves agree to pay. Since any negotiation generates bargaining and concessions, it was agreed that the major debate would only take place every seven years, on the occasion of the agreement on the draft multiannual financial framework (MFF). The European budget, which reflects a limited ambition, is capped at 1% of the wealth produced by the Union's members. Resources from national budgets are widely redistributed to the benefit of contributors, leaving little room for common actions and other "European public goods". It is the legacy of a time when borders were opening, when it was necessary to compensate for the weakening of agricultural sectors or certain territories whose development was lagging behind.

In this context, MEPs go to great lengths to demonstrate that the European Union is not just an international organisation haunted by national egoisms and the resolve, in terms of means, to stick to the strict minimum. As the Treaties have progressed, with great determination, Parliament has grasped power and now intends to prove that in budgetary matters, it is not party to a sham. It is a difficult exercise with prerogatives that are limited to authorising and controlling expenditure, the overall volume of which is rigorously capped. The preparation of the multiannual financial framework 2021-2027 shows how urgent it is to remove the masks and artifices that maintain the illusion of democracy.

PARLIAMENT IN QUEST OF BUDGETARY POWER

From the outset the annual budgetary procedures, following the first election of Members of Parliament by direct universal suffrage in 1979, were a source of conflict between the Council and the Parliament eager for identity and influence. To pacify these discussions, the first "Delors Package" introduced the practice of "financial perspectives" in 1988. The result of an interinstitutional agreement, it was, however, akin to a self-limitation of parliamentary prerogatives comprising a locking mechanism designed to calm spending impulses. It was a limited step forward, but one that gave rise to hopes of being able to influence the terms of a political agreement hitherto reserved only for the heads of State or government meeting in the European Council. Completing the process, the Lisbon Treaty gave a name to the straitjacket and defined its function: "*The multiannual financial framework shall ensure the orderly development of expenditure within the limits of own resources... The annual budget shall comply with the multiannual financial framework*". Parliament is a stakeholder, it has a power of approval, equivalent to a right of veto. These new provisions did not really take effect until the expiry of the 2007-2013 Multiannual Financial Framework. This was Parliament's first opportunity to test its power to approve or reject the unanimous decision of the members of the General Affairs Council comprising the European Affairs Ministers - a diplomatic body subject to the heads of State or government, without sufficient room for manoeuvre to negotiate. As expenditure volumes are thus capped by programme, the commitment of appropriations and payments require regulatory texts subject to co-decision. At this stage, MEPs can exercise their right of amendment, whilst at the same time fearing that unanimous agreement on volumes may be made conditional on the fulfilment of certain requirements by one or more countries, all of which might encroach on the legislative field.

At the end of 2013, under the Irish Presidency, the draft 2014-2020 multiannual financial framework had to comply with the demands made by the then British Prime Minister, David Cameron, and strictly limit its volume to 1% of the GDP of the States of the Union. Budgets Committee Chair Alain Lamassoure (EPP, FR) and his colleagues at the time, as well as Parliament's President Martin Schulz (S&D, DE), who made it a personal matter, did not spare any effort in front of the Council. In the final phase, the axe fell: a tight budget, with meagre margins of flexibility achieved (only just) by Parliament, which deprived the Union of any significant means in the event of unforeseen circumstances or crisis situations. As a consolation, to save Parliament's honour and to salute its stubbornness, it was agreed that this multiannual financial framework would be subject to a mid-term review and furthermore that a group of "high-level personalities" would work on the development of new own resources - the classic way of concluding a negotiation whose outcome remains in the hand of the payer.

Before the mid-term review, the need for flexibility and its limits quickly became apparent and were quickly exhausted with the wish to revive investment (Juncker plan) and the crisis triggered by the mass migrations of 2015. This was when the promised review came. Parliament had every argument in its possession to underscore that the multiannual financial framework was not commensurate to the events. It pointed out that rigidity leads to unhealthy circumventions. As a matter of necessity, dedicated funds and other financial instruments had multiplied, creating a veritable "galaxy" around the EU budget. The principle of budgetary unity was thus being blithely trampled underfoot. Outdated, often improvised policies were being used to the detriment of the clarity owed to Europe's citizens. The Council was so reserved that it opened a semantic debate in the preamble: "revision" or "review"? Beyond the rhetoric of circumstance and the "elements of language", the Council imposed its law. Loosening the purse-strings was out of the question. For lack of budgetary resources, Europe was powerless in the face of the crises. It was a sad realization for Jean-Claude Juncker, who had proclaimed himself "*President of the last-chance Commission*" on his inauguration. In the Parliament, under the influence of the EPP and S&D duopoly, which had held a majority since 1979, it was necessary to reach an agreement, in the final phase of the negotiations, to align with the Council's position.

As for the Own Resources Group, comprising representatives of the Council, Parliament and the Commission and chaired by Mario Monti, it published its report of findings and proposals in December 2016. Wisely, it criticized the illegibility of the Union's budget, stressed the need to establish a link between the actions undertaken and the resources that finance them, and warned against the idea that new own resources might mechanically increase the financial resources. The requirement of fiscal neutrality was a useful reminder. Own resources aim to reduce the Member States' contributions and lighten their supervision. The tyranny of "fair return" (how much I pay, how much I receive) had to be brought to an end.

MULTI-ANNUAL FINANCIAL FRAMEWORK 2021-2027, WHICH BUDGET FOR WHICH EUROPE?

The adoption of the multiannual financial framework 2021-2027 has just entered its final phase. This is the culmination of a hitherto very unequal balance of power. It is the result of a long process of tension initiated at the beginning of the previous term of office. Spurred on by the disappointments of 2013 and the brutal and arbitrary adoption of the 2014-2020 multiannual financial framework, the Parliament that took office in July 2014 intended to loosen the noose and avoid any traps. To put pressure on the Council and the Commission, it expressed its own vision as early as it could. In 2014, the Budgets Committee (BUDG) appointed two "MFF" and two "own resources" rapporteurs. The other sectoral committees were involved in the drafting of a credible budget commensurate with the challenges of the future.

The mechanism in place was supposed to help Parliament challenge the other two players, the Commission and the Council, which differ in their level of motivation. The former, whose role is central, was initially due to publish its proposals in the autumn of 2017. The deadline was postponed to the following spring due to the uncertainties caused by Brexit regarding the budget. The Treaty tasks the Commission to provide the European Union with "the necessary means to attain its objectives and carry out its policies". A vital and anticipatory responsibility since the budget and programmes are closed for seven years.

At that time, Jean-Claude Juncker and Budget Commissioner Günther Oettinger warned and stressed that above all this meant defining "the Europe we want". As a result, they circulated and debated the White Paper and reflection paper, with supporting scenarios (the most ambitious of which raised the bar to 1.2% of GDP). In the autumn, the College of Commissioners took the liberty of designing a budget of between 1.1 and 1.2% of GDP, following up on a bold promise made by President Juncker in his "State of the Union" speech.

Building on this momentum, the Commission delivered an assertive, proactive communication to the Informal Summit of Political Leaders. A determined Parliament and a diligent Commission were on the move. This activism left the Council indifferent, reluctant to make known a position that would only be decided at the last moment. Surprising procrastination. In an unstable and increasingly unpredictable globalised world, however, we need to set the means and forge the instruments of action for a long period of time. Year by year, the ceilings are set by category of expenditure and by programme. The challenges and the stakes are high, nothing can be done about it, it is impossible to grasp the vision, the project, the Council's design. The scenario that is emerging is like déjà vu. How can we escape this?

In the absence of a political debate on the future and the Union's priorities, the preparatory work continued and intensified. The Commission soon collapsed into the "Brexit gap", forgetting its audacity, and suddenly started to make cautious adjustments. True to form, the protagonists instantly turned to technical considerations, legal bases, procedures and technocracy, without taking the time to go through the political box and try to answer the question "which budget for which Europe?" Pressed by the Commission, Günther Oettinger struggled in the hope of concluding the Multiannual Financial Framework before the European elections in May 2019. Hence the abdication of all ambition for a rapid solution acceptable to the Council.

Hope surprisingly shared by the now feverish Parliament, as if the outgoing majority feared the options of a new majority. Nevertheless, good reasons were given. The late vote on the 2014-2020 Multiannual Financial Framework led to harmful consequences. Operators were unable to take ownership of the new programmes immediately, delaying the implementation of anticipated projects. This was a paradoxical situation at a time when Europe was suffering from an investment deficit. Moreover, if the Multiannual Financial Framework and the programmes needed to implement it were not completed before the elections, the new MEPs would need time to take position. And the agreement, as in 2013, was only concluded on the eve of the launch of the new framework, producing the same damaging delays and inertia. What had been feared now became a reality. The sinkhole was in place to rule out any alternative to the will of the Council. However, the day after its renewal, would Parliament not be entitled to ask for an extension of the deadline?

While the Commission was still being put together, the previous Parliament took the lead and made its expectations known by voting on a resolution on 10 October 2017. It broke the 1% GDP ceiling. With 1.3%, the cohesion and CAP packages would remain in place and the appropriations allocated to research, social cohesion, climate and the environment would be increased. Erasmus+ could be tripled. Brexit was taken into account, forecasting an annual loss of around €12 billion. Correlatively, the end of the "British cheque" negotiated at the time by Margaret Thatcher was to go hand in hand with the disappearance of the discounts granted to certain countries (Germany, Austria, Denmark, Netherlands) according to a now outdated model.

Time was short. The strategic moment finally arrived. The Commission's proposals for the Multiannual Financial Framework 2021-2027 were published on 2 May 2018, followed in the weeks after that by the legislative proposals for programmes. The overall volume rose to 1.11% of GDP by way of a clever twist in presentation. Aggregation within the Multiannual Financial Framework of the European Development Fund, jealously guarded by its managers, improved the optical percentage by +0.03. Parliament was quick to denounce this flattering guise. Disappointed by the blows inflicted on the CAP and cohesion, it returned to the fray with an interim report adopted in November 2018. For the first time in the budgetary process, Parliament specified its objectives and figures, programme by programme. In addition to the appropriations thus detailed, it described the new own resources to be collected (revenue from CO2 emission rights, carbon tax on imports, tax on profits of commercial companies). Obviously, these resources would be raised and collected by the States whose fiscal sovereignty would be respected. To achieve this, national legislation would have to transcribe the necessary provisions. The revenue collected would be returned to the Union, as in the case of customs duties levied on imports from third countries. Reason had to be nourished with a touch of utopia in order to take the European cause forward. Parliament played its role. It judiciously called for the sanctuary of fiscal sovereignty.

In the meantime, the December European Council ruled out any agreement before autumn 2019, under the Finnish Presidency. Those who supported the vote prior to the elections were unhappy about this. For a while the postponement of the vote until after the elections gave Commissioner Oettinger the opportunity to hope that he could still reach an agreement before the end of his own term of office on 1 November. More was needed to discourage Members of Parliament. In the months leading up to the election, the maximum was done to get the Council to listen. Under the authority of the President of the Assembly, a progress monitoring group brought together the Chair, rapporteurs and co-ordinators of the Committee on Budgets (BUDG). Its composition guaranteed political plurality. This ad hoc body delegated the Chairman of the Committee and the rapporteurs the task of meeting with the Presidency of the General Affairs Council on the eve and at the end of each of its monthly meetings to assess the progress expected and achieved. In so doing, every attempt was made to penetrate the famous "negotiating boxes" which divide the Council's negotiations into subgroups.

Parliament's negotiators did not intend to stand idly by and reacted immediately to each new "negotiating box" with an explicit version of their positions and objections. In real time, they informed the Council of the Members' red lines – lines agreed between the Budgets Committee and the sectoral committees. These included elements of the exclusive competence of the Council, the MFF, and others subject to legislative co-decision, the programmes. The aim being to prevent Parliament, one fine morning, from discovering an overall agreement whose terms had ceased to be negotiable. These meetings did not dispel the perplexity of the parliamentarians, so much so that their interlocutors, sometimes the minister, often the ambassador, engaged in an exercise of exquisite courtesy devoid of political content and convictions.

In order to follow through on their determination, the chairman and rapporteurs of the Budgets Committee agreed, on the invitation of the Romanian Presidency, to visit Bucharest on 12 March 2019. Parliament's positions were emphatically reiterated once again in front of diplomats representing Member States, some ministers, ambassadors and senior officials, a sign of the relative political interest of the meeting. Echoing this, MEPs listened to general disconcertingly conformist, banal reactions and comments. There was a strange impression of witnessing an exchange between club members about the setting of the next subscription fees. Nothing new, obviously the heads of State and Government had not yet entered into the discussion. It had to be concluded that there was urgent need to wait until officials, budget experts and diplomats had agreed to reconcile the views of the "net contributors" (those countries that pay more than they receive, i.e. nine countries together with the United Kingdom) with those of the "friends of cohesion" (those that pocket more than they receive). Let us bear in mind that the Union's budget is first and foremost a redistribution of more than two thirds of the appropriations, and that the States have jointly agreed to do only the bare minimum.

THE "CONTINGENCY PLAN", PARLIAMENT'S WEAPON

Resolutely offensive in methodological terms, Parliament did not manage to venture off the beaten track as far as the content of its proposal was concerned. No innovative vision, no courageous arbitration, no hierarchy of priorities. In short, it all came down to "more money". As for the new own resources, they revealed the unrealistic aspect of the system. Under these conditions, it was difficult to influence the Commission's proposals, which formed the basis and framework for decisive negotiations. In Parliament, it felt like a cold shower in that the overall volume only marginally broke the ceiling of 1% of GDP. Moreover, opening up new actions in the fields of defence, migration control, research and artificial intelligence, support for the euro zone, climate, it was necessary to reduce the allocations reserved for the two "sacred cows" that are the CAP and the cohesion policy (regional development fund, European social fund).

Inevitably, after pointing to the sleight of hand used in the presentation, then came the comparison of appropriations from one framework to another. A battle of complicated figures, constant euros or current euros, a new budget structure, seven headings instead of five, thirty-seven programmes instead of fifty-two. The programmes were grouped into fourteen "Clusters" by type of action (see annexed tables). Each heading included one or more clusters. Thus, for example, the heading "Natural resources and environment" included two clusters: "Agriculture and fisheries" and "Environment and climate action". These innovations in the presentation matched Parliament's wishes. They constituted an undeniable improvement in terms of legibility. Redistribution via the CAP and cohesion policy increased from nearly 70% to 65%. Two new headings were added: "Migration and border management" and "Security and defence". Another innovation was the conditionality of aid paid to States under the cohesion policy. It aimed to prevent the transgression of the values and rules of the rule of law. In other words, any failure to comply with the provisions of the Charter of values of the Union would suspend the granting of European subsidies. Certainly, a judicious novelty, but whose divisive nature was understood by all on the eve of a unanimous decision.

As we approached the conclusion, margins shrank. The Finnish Presidency, in the autumn of 2019, a year and a half after the Commission's proposal, finally brought the Council out of its inertia. In doing so, it reduced the ceiling to 1.07% of GDP, making a linear cut across all the headings proposed by the Commission. Only the CAP and cohesion, which the Commission had already seriously considered, escaped this. Its priorities were to allocate more resources to the new programmes and actions, to rebalance the sums dedicated to agriculture and rural development in relation to cohesion and, following the leitmotiv of every Council, to reduce administrative expenditure. Apparently resigned, the Commission approved the improvements relating to cross-cutting issues such as the conditionality linked to respect for the rule of law, climate protection, external convergence and the added value of expenditure. On the other hand, it criticised the cuts in some programmes and regretted the lack of ambition on flexibility instruments and new programme regulations.

A more than reserved tone on the part of the Permanent Representatives of the various Member States, Ambassadors and senior national officials. The net contributors considered the volume too high and called for the latter to be maintained at 1% of GDP, while the Friends of Cohesion considered it too low. Fairly favourable reception for the clear and firm position in support of conditionality compliance with the rule of law and approval of the abolition of rebates except for those countries that benefit from them. All of this acrimonious criticism augured well for a disastrous European Council in February.

In December, the Conference of Presidents of the political groups in Parliament decided to "suspend negotiations on sectoral programmes" on the grounds that it was no longer possible to talk seriously about the objectives of the programmes as the envelopes were under threat.

The proposals made by the new President of the European Council, Charles Michel, were awaited with high expectations bolstered by the election of Ursula von der Leyen as President of the Commission. Their agenda was in tune: Green deal, digital economy, geopolitical Europe. Not forgetting the specific commitments recently made before Parliament. To the astonishment of MEPs, the Commission sided with the Council and Charles Michel submitted proposals to the special European Council of 20 February which were very similar to those put forward by the Finnish Presidency. The Commission's criticisms and its President's promises, notably the tripling of Erasmus, were forgotten, as if the budget and the political agenda were out of touch. It readjusted and increased the amounts allocated to cohesion policy and natural resources, taking care to bring the appropriations for the flexibility instruments back to the level of the Commission's proposal. This was undoubtedly an artificial inflation of the concessions' margins in order to numb Parliament in the final straight. As for own resources, they were limited to the introduction of taxes on non-recycled plastics and on the proceeds of the CO_2 emissions trading scheme (ETS). Parliament reacted strongly to these proposals, denouncing funding that falls far short of its expectations, designed by technicians (technocrats) without any political involvement, minimising appropriations for agriculture, cohesion, research, infrastructure, digital, SMEs, Erasmus, youth employment, migration, defence, among others. There was the same frustration about own resources due to the setbacks and the reactivation of the rebates linked to the British rebate.

The end is now close. It is to be feared that the final packaging will be made with the usual haste and that Parliament will faced an irreversible, take it or leave it agreement. However, if it were to reject this, it would have problems in explaining this to the public, because it has not taken the time to express its vision and priorities by answering the question "Which budget for which Europe? " It is therefore legitimate to ask for more time.

The recently elected Parliament can invoke the provisions of Article 312, 4th paragraph: "Where no Council regulation determining a new financial framework has been adopted by the end of the previous financial framework, the ceilings and other provisions corresponding to the last year of that framework shall be extended until such time as that act is adopted." "This is the idea of Plan B, the "contingency plan" devised to escape the pressure of the approaching deadline. The Treaty provides for the ceilings to be extended in the event of non-agreement. This, due to the withdrawal of the United Kingdom, would result in a volume of 1.15% and the disappearance of the rebates.

MFF, OR NEVER AGAIN!

Whilst current events highlight the Union's impotence, the time has come to recognise that its budget, as it is implemented, is a democratic illusion. The discrepancy between political proclamations and the budgetary sham has become intolerable. Sordid horse-trading, how much do I give? How much do I get? Short-sightedness and the renunciation of strategic autonomy are no longer acceptable. The recent uncontrolled rise of globalization, the shock of relocations and that of digitalization have changed the situation, removing certain national prerogatives of sovereignty. The identification of "European public goods" - defence and security, migration, artificial intelligence, the environment and climate - leads one to imagine that appropriations that are inefficiently deployed by the States alone could be transferred to the Union budget. This is a precondition for demonstrating what Europe's added value can be.

In other words, the increase in the Union's budget must correspond to a reduction in national budgets and can in no way lead to an increase in public spending in Europe. The transfer of expenditure will have to go hand in hand with the transfer of the proceeds from taxes and duties, such as VAT. This multiannual financial framework should mark the end of a mistrustful and childish procedure, the subject of futile parliamentary battles. Let us acknowledge that the Union's budget is sincere in that it demonstrates that the Member States are not prepared to act together. On an optimistic note, the margins for progress are enormous. As for the Multiannual Financial Framework, please, let’s not go down that road again!

Jean Arthuis

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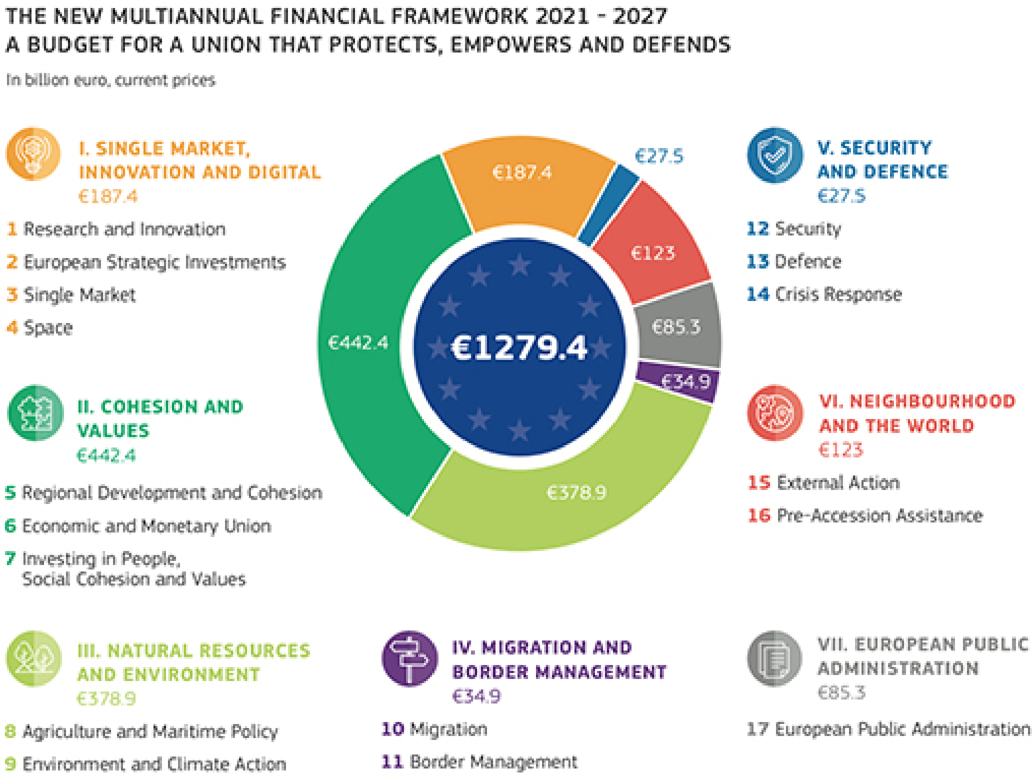
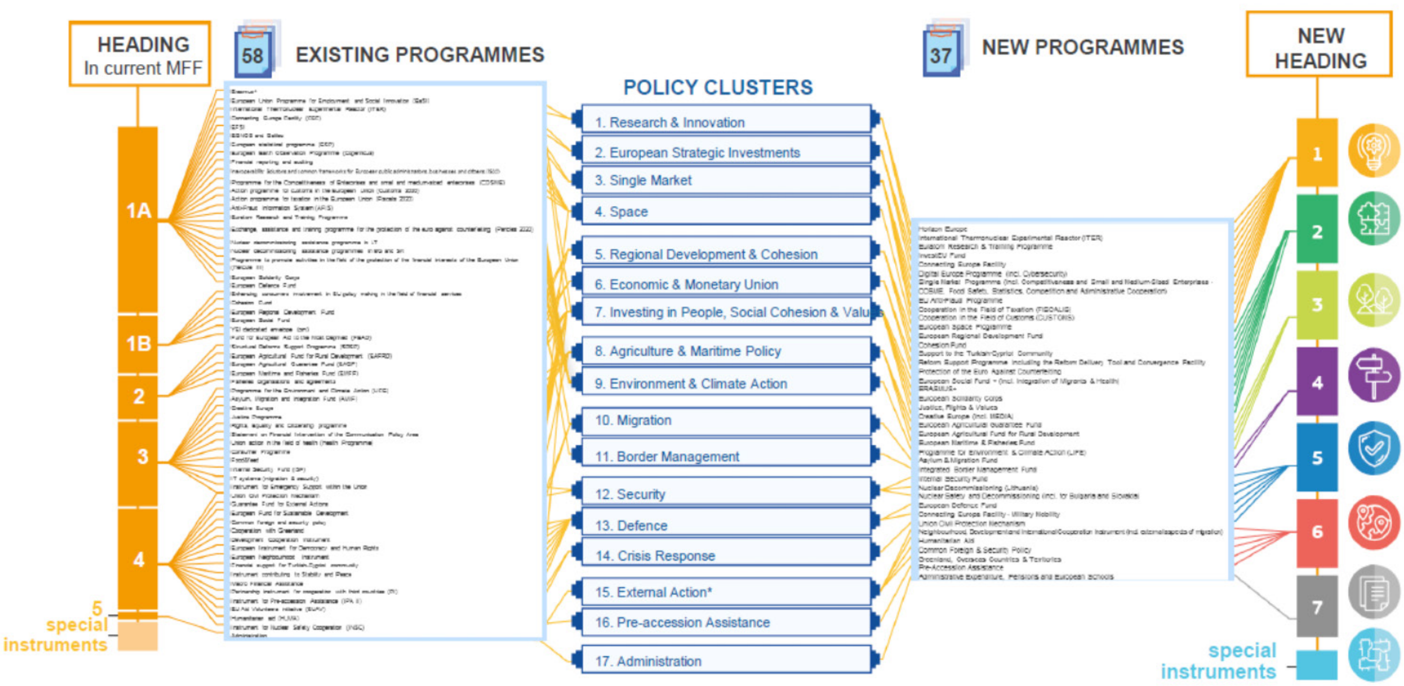

THE NEW MULTIANNUAL FINANCIAL FRAMEWORK 2021 - 2027
A BUDGET FOR A UNION THAT PROTECTS, EMPOWERS AND DEFENDS
In billion euro, current prices
I. SINGLE MARKET, INNOVATION AND DIGITAL
€187.4
1 Research and Innovation
2 European Strategic Investments
3 Single Market
4 Space
II. COHESION AND VALUES
€442.4
5 Regional Development and Cohesion
6 Economic and Monetary Union
7 Investing in People, Social Cohesion and Values
III. NATURAL RESOURCES AND ENVIRONMENT
€378.9
8 Agriculture and Maritime Policy
9 Environment and Climate Action
IV. MIGRATION AND BORDER MANAGEMENT
€34.9
10 Migration
11 Border Management
V. SECURITY AND DEFENCE
€27.5
12 Security
13 Defence
14 Crisis Response
VI. NEIGHBOURHOOD AND THE WORLD
€123
15 External Action
16 Pre-Accession Assistance
VII. EUROPEAN PUBLIC ADMINISTRATION
€85.3
17 European Public Administration
€187.4
€27.5
€123
€85.3
€34.9
€378.9
€442.4
€1279.4


HEADING
In current MFF
58
EXISTING PROGRAMMES
POLICY CLUSTERS
37
NEW PROGRAMMES
NEW HEADING
1A
1B
2
3
4
5 special instruments
1. Research & Innovation
2. European Strategic Investments
3. Single Market
4. Space
5. Regional Development & Cohesion
6. Economic & Monetary Union
7. Investing in People, Social Cohesion & Valu
8. Agriculture & Maritime Policy
9. Environment & Climate Action
10. Migration
11. Border Management
12. Security
13. Defence
14. Crisis Response
15. External Action*
16. Pre-accession Assistance
17. Administration
1
2
3
4
5
6
7
special instruments