

# Ask the IIEA

## How does the EU plan to spend your money?



Future of the **EU27**



### Key Takeaways

- The structure and content of the EU's long-term budget is set out in the so-called multiannual financial framework (MFF).
- The European Commission, the European Parliament, the Council of Ministers and the European Council all play important roles in agreeing the MFF.
- Negotiations are currently underway to agree the next MFF, which will cover the period 2021-2027.
- The Irish government is willing to pay more into the MFF, but is opposed to the European Commission's proposal to cut spending on the Common Agricultural Policy and Cohesion Policy.
- The EU's deadline for agreement on the new MFF is Autumn 2019.

### What is the multiannual financial framework?

The long-term budget of the EU is known as the multiannual financial framework (MFF). The MFF provides Member States with certainty about future financing and expenditure by fixing limits on how much the EU can spend. The MFF should not be confused with the annual EU budget, which is adopted each year and must adhere to the spending ceilings set out in the MFF. The existing MFF will conclude in 2020 and negotiations are currently underway to agree the next long-term budget, which will cover the period 2021-2027.

### How is the MFF adopted?

The MFF is adopted under a special legislative procedure. Before the existing MFF expires, the European Commission presents a proposal that is used as a basis for negotiations within the Council of Ministers. When determining its position on the next long-term budget, the Council of Ministers receives political guidance from EU leaders in the European Council. The Council of Ministers must then receive the consent of the European Parliament before adopting the MFF. The European Parliament can approve or reject the Council of Ministers' position, but it cannot amend it.

1 [https://ec.europa.eu/commission/commissioners/2014-2019/oettinger/blog/budget-matching-our-ambitions-speech-given-conference-shaping-our-future-812018\\_en](https://ec.europa.eu/commission/commissioners/2014-2019/oettinger/blog/budget-matching-our-ambitions-speech-given-conference-shaping-our-future-812018_en)

2 [http://www.europarl.europa.eu/doceo/document/A-8-2018-0358\\_EN.html](http://www.europarl.europa.eu/doceo/document/A-8-2018-0358_EN.html)

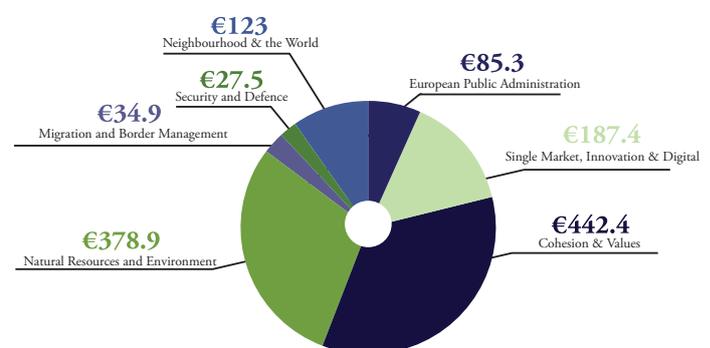
### What period does the MFF cover?

Although the EU's first long-term budget framework extended over five years, every long-term budget since has covered a period of seven years. The MFF 2021-2027 could be the last to span seven years.<sup>1</sup> Returning to a five year budget framework would have the advantage of aligning the lifecycle of the MFF with the term lengths of the European Commission and the European Parliament.

### What might the next MFF look like?

On 2 May 2018, the European Commission presented its proposal for the MFF 2021-2027. The overall size of the European Commission's proposal amounts to about €1.27 trillion in funding commitments. Although this amount may sound enormous, it represents just 1.11% of the EU27's Gross National Income (GNI).

The European Commission's plan, however, falls some way short of the European Parliament's ambitions. On 14 November 2018, the European Parliament adopted its Interim Report on the European Commission's MFF proposal, in which it set out its position that the overall size of the MFF 2021-2027 should be €1.32 trillion in funding commitments. This figure would represent 1.3% of the EU27's GNI.<sup>2</sup>



**Figure 1:** All figures in billion euro, in 2018 prices. Total commitments: €1.2794 trillion. Source: European Commission.



## What spending categories have been proposed for the next MFF?

The European Commission's proposal aims to simplify spending by aligning it more closely to the EU's post-2020 political agenda. Spending is organised under seven thematic headings: Single Market, Innovation and Digital; Cohesion and Values; Natural Resources and Environment; Migration and Border Management; Security and Defence; Neighbourhood and the World; European Public Administration. Figure 1 sets out the European Commission's spending proposals under these seven headings.

"From Ireland's perspective, we are willing to consider an increase in our contribution to the EU budget for the next MFF, but only if the new programmes add European value; and only if existing programmes like CAP and Cohesion continue to be funded at current level."

**Taoiseach Leo Varadkar**  
December 2018

## What are the key issues for Ireland?

After the December 2018 European Council, Taoiseach Leo Varadkar said: "From Ireland's perspective, we are willing to consider an increase in our contribution to the EU budget for the next MFF, but only if the new programmes add European value; and only if existing programmes like CAP and Cohesion continue to be funded at current level."<sup>3</sup>

If the United Kingdom leaves the EU, an estimated €12 billion in net contributions will be removed from the EU's annual coffers. To fill this gap, the European Commission has proposed: (i) increasing Member States' contributions, and; (ii) spending cuts to areas such as the Common Agricultural Policy (CAP) and Cohesion Policy. Figure 2 sets out Ireland's position on the size of the MFF and preferred funding levels for CAP and Cohesion Policy in relation to the European Commission and the European Parliament.

Issue	European Commission	European Parliament	Ireland
MFF Size	Increase to 1.11% of EU27 GNI	Increase to 1.3% of EU27 GNI	Open to Increase
CAP Spending	Reduce by 5%	Maintain at current levels	Maintain at current levels
Cohesion Policy Spending	Reduce by 7%	Maintain at current levels	Maintain at current levels

Figure 2: Where Ireland stands in relation to the European Commission and the European Parliament.

3 [https://merriestreet.ie/en/News-Room/News/Statement\\_of\\_An\\_Taoiseach\\_Leo\\_Varadkar\\_T\\_D\\_following\\_the\\_December\\_2018\\_European\\_Council.html](https://merriestreet.ie/en/News-Room/News/Statement_of_An_Taoiseach_Leo_Varadkar_T_D_following_the_December_2018_European_Council.html)

## What is the current state of play?

The original deadline set by the European Commission for agreement on the new MFF was May 2019, just before the European Parliament elections. At the European Council in December 2018, however, the target for agreement was revised to autumn 2019. Some key upcoming dates in the MFF timeline are set out in Figure 3.

The Romanian presidency of the EU will update the European Council on the state of play in June 2019. Negotiations will continue during the Finnish presidency, beginning in July 2019. Despite conflicting views on the future shape of the MFF, the EU institutions' shared objective is to reach a political agreement by October 2019. Nevertheless, the possibility of protracted negotiations culminating in a last-minute agreement cannot be ruled out.



Figure 3: MFF Timeline.

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