



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from:	Presidency
to	Council
Subject:	New Multiannual Financial Framework - State of play

Delegations will find below a note from the Presidency on the state of play on the Multiannual Financial Framework 2014-2020.

MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020

STATE OF PLAY

1. At its meeting on 7-8 February 2013, the European Council reached agreement on the Multiannual Financial Framework 2014-2020 (MFF) and invited the Presidency to rapidly take forward discussions with the European Parliament.
2. Work within the Council began immediately after the February European Council both on the four key issues which the European Parliament identified in its resolution of 13 March 2013 (the review of the MFF, own resources, unity of the budget and flexibility) and on the legislative texts (MFF Regulation and IIA). Work on the sectoral legislative proposals related to the MFF is advancing in the relevant fora.
3. At its meeting in April the General Affairs Council held a discussion focussing on the four key issues mentioned above and, further to that, COREPER examined these issues in more detail. During these discussions, delegations expressed openness to consider the European Parliament's demands in a constructive spirit, while respecting the principle that nothing is agreed until everything is agreed.
 - (a) Delegations were prepared to consider a legally binding obligation on the Commission to present a review in 2017, to take account of the latest economic situation, accompanied, if appropriate, by relevant proposals. It was underlined that any such review would have to respect fully the procedures enshrined in the Treaty, in particular as regards the unanimity requirement in the Council for the MFF Regulation, and preserve the pre-allocated envelopes.
 - (b) As regards own resources, delegations were clear that the European Council agreement represented in their view the right balance. There was however readiness to consider a declaration setting out a political roadmap for work relating to the future.

- (c) As regards the unity of the budget, delegations expressed some openness to considering the request of the European Parliament, but called for more detailed information.
- (d) As regards flexibility, more work is required. A substantial degree of flexibility is already foreseen in the agreement reached by the February European Council (*inter alia* contingency margin, Flexibility Instrument, Emergency Aid Reserve, Solidarity Fund, Globalisation Adjustment Fund, Reserve for crisis in the agricultural sector). In addition, the European Council, in point n°109 of its conclusions, committed to "specific and maximum possible flexibility". It was agreed that the Council should examine carefully new options, provided they fully respect the principles of the budgetary procedure.
4. As regards the legislative texts (MFF Regulation and IIA), after a first discussion in COREPER on 10 April it appeared that several technical clarifications were required. This is being done at expert level. In the light of this examination, the Presidency will soon present to COREPER revised texts.
5. On 14 May, the Council reached a political agreement on the draft amending budget n°2 based on a two-step approach, i.e. agreement on a draft amending budget at the level of 7 300 million euro and a commitment to return to this issue later in the year with a view to meeting verified additional amounts on the basis of proposals from the Commission. In this context, the Council stressed that nothing is agreed until everything is agreed.
6. The Presidency is in on-going contact with the European Parliament at all levels. On 6 May the Presidents of the European Parliament, the Commission and the Council held a meeting which opened the way for the start of negotiations. A first trilogue on 13 May brought together the negotiating team of the European Parliament, the Commission and the Irish Presidency. The representatives of the institutions had the opportunity to present their positions. All institutions agreed on the need to intensify contacts, including at technical level, in order to reach a political agreement on the MFF before the end of the Irish Presidency.

7. In light of previous discussions and of the contacts with the European Parliament undertaken until now, and with a view to entering into substantial talks with the Parliament, the Presidency now seeks more specific guidance from the Council on the following issues :

- (a) Can delegations confirm their readiness to agree on (i) the insertion of a review clause in the MFF Regulation inviting the Commission to present, perhaps in January 2017, a review of the MFF, taking account of the economic situation at that time as well as the latest available macroeconomic forecasts, and accompanied, if needed, by the appropriate proposals; (ii) the principle of a declaration of the three institutions setting out a political roadmap for work on the own resources for the future; (iii) an invitation to the Commission to annex a document providing an overview of the financial and budgetary consequence of Union activities to their annual draft budget proposal?

- (b) Concerning flexibility, the European Council agreed that "*Specific and maximum possible flexibility will be implemented in order to comply with Article 323 TFEU to allow the Union to fulfil its obligations.(...)*". Coreper discussed, *inter alia*, the following : the possibility to carry-over from one year to another of any unused margins under the payments ceilings and a frontloading of some expenditure, in particular as regards expenditure relating to growth and jobs, such as the Youth Employment Initiative.

How would delegations see these elements of flexibility operate?

First contacts indicate that the principle of the carry over from one year to another of any unused margins also under the commitments ceilings is very important to the European Parliament.
