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NOTE

From: Presidency
To: Permanent Representatives Committee/Council
Subject: Multiannual Financial Framework (MFF) 2021-2027
- progress report

In view of the General Affairs Council meeting of 11 December 2018, delegations will find in annex the above-mentioned report drawn up under the responsibility of the Austrian Presidency.

In June 2018, the **European Council** invited the European Parliament and the Council to examine the Multiannual Financial Framework (MFF) package for the years 2021 to 2027 in a comprehensive manner and as soon as possible. In line with this guidance, intensive work has been carried out on the Multiannual Financial Framework package over the past months. Building on the work of the Bulgarian Presidency, the Austrian Presidency is submitting to delegations the draft Negotiating Box, drawn up and developed under the responsibility of the Presidency. The draft Negotiating Box is found in document ST **14759/18**.

I. PROCESS IN THE COUNCIL

1. On 2 May 2018, the Commission adopted a package of proposals on the Multiannual Financial Framework for the years 2021 to 2027. The legislative package consisted of proposals for:
 - i) a Council Regulation laying down the Multiannual Financial Framework for the years 2021-2027;
 - ii) an Interinstitutional Agreement on budgetary discipline, cooperation in budgetary matters and on sound financial management;
 - iii) a Council Decision, two Council Regulations, and a Council amending Regulation on the system of Own Resources (OR) of the EU; and
 - iv) a Regulation of the European Parliament and of the Council on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in Member States.
2. This was complemented by a number of sectoral legislative proposals adopted between 29 May and 14 June 2018 as concerns programmes supporting and implementing European policies.

3. On 26 June 2018, the Bulgarian Presidency informed Ministers during the **General Affairs Council** of the state of play¹.
4. On 1 July 2018, the Austrian Presidency took over, with the aim to continue examining the proposals in a comprehensive manner and as soon as possible, following the guidance given by the **European Council** in its conclusions of 28 June 2018.
5. The Presidency organised 19 meetings of the Ad Hoc Working Party on the MFF (AHWP MFF). Ministers had the opportunity to discuss the MFF at each meeting of the **General Affairs Council (GAC)**. The work progressed in three main phases:
 - **Phase 1 from July to mid-September 2018:** *finalisation of the examination started under the Bulgarian Presidency.*

This work was carried out during seven meetings of the AHWP MFF, two technical seminars on, respectively, Agriculture and European Public Administration, and through a series of bilateral technical consultations. The Presidency presented the result to COREPER and the **General Affairs Council** in September 2018².

¹ Doc. ST 10171/18

² Doc. ST 11871/18

- **Phase 2 from mid-September to early November 2018:** *identification of possible elements of the draft future Negotiating Box relating to horizontal issues, and expenditure headings.*

This work was carried out over the course of seven meetings of the AHWP MFF. COREPER was informed of the state of play on 3 October, 31 October and 28 November 2018, and discussed the possible elements identified on 10 October and 7 November 2018. On 3 October 2018³, the Presidency informed COREPER on the progress of work at technical level on possible elements in relation to horizontal issues, Heading 1 and Heading 5. On 10 October 2018, COREPER discussed elements of the future draft Negotiating Box in relation to horizontal issues, Headings 1, 3, 5 and 7⁴.

GAC was informed on the state of play on 16 October 2018 and on the same occasion Ministers shared their views on the issues that they considered of key importance for a future agreement on the basis of a Presidency report⁵.

- **Phase 3 from end October 2018 onwards:** *identification of possible elements of the future draft Negotiating Box relating to Own Resources and the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States (RoL), and revision of the possible elements of the draft future Negotiating Box.*

On 25 October 2018, the Council Legal Service adopted its opinion⁶ on the RoL proposal. This opinion was presented to the AHWP MFF on 29 October 2018 and discussed by delegations during the AHWP MFF meeting on 9 November 2018. The Working Party on OR met five times under the Austrian Presidency. On 7 November 2018, COREPER provided guidance on elements of the future draft Negotiating Box in relation to horizontal issues, Headings 1, 2, 3, 4, 5, 6 and 7⁷.

³ Doc. ST 12519/18

⁴ Doc. ST 12837/18

⁵ Doc. ST 13047/18

⁶ Doc. ST 13593/18

⁷ Doc. ST 13471/18

GAC held a policy debate on the MFF on 12 November 2018. The discussion focused on the political issues that have emerged during preparations in the Council for the draft Negotiating Box. On the basis of a document provided by the Presidency⁸, Ministers shared their views on the elements which they consider of key importance for a future agreement.

On 21 November 2018, the AHWP MFF discussed possible elements of the future draft Negotiating Box relating to OR and RoL. Possible elements of the future draft Negotiating Box for horizontal issues, including RoL, headings 1 to 7 and OR were then revised and discussed in the AHWP MFF meeting on 26 November 2018. The Presidency informed COREPER on the progress of work at technical level on 28 November 2018. Following requests from some delegations, the RoL proposal was discussed in the AHWP MFF meeting of 30 November 2018.

The draft Negotiating Box⁹ has been forwarded to Member States on 30 November 2018 in preparation of the GAC on 11 December 2018. It will be discussed in COREPER on 5 December 2018.

6. In parallel, at the request of delegations, the Commission answered orally and in writing several hundred questions and provided additional information and clarifications in 55 technical fiches delivered between May and November 2018.
7. Work on the sectoral proposals that accompanied the MFF package has also progressed in the respective sectoral working parties. By the end of December 2018, out of the 43 MFF-related sectoral proposals, the Presidency will have proposed partial general approaches or partial mandates to the Council or COREPER for about half of the sectoral proposals.

⁸ Doc. ST 13473/18

⁹ Doc. ST 14759/18

II. RELATIONS WITH OTHER INSTITUTIONS

8. In line with the approach outlined in the letter of 2 May 2018 from Bulgarian Prime Minister Borissov, the Presidency has continued the established practice of organizing exchanges of views with representatives of the European Parliament before and after each General Affairs Council meeting when the MFF is on its agenda. The Presidency met with representatives of the European Parliament (EP) in the margins of the GAC meetings of 18 September, 16 October, and 12 November 2018 to inform them of the state of play of work and on debates held in the GAC.
9. On these occasions, the EP representatives continued to defend a quick process, and insisted on the importance of the role of the EP. On 12 November 2018, the EP representatives also presented the draft report that was subsequently adopted by the Plenary on 14 November 2018.
10. Following the invitation from COREPER to the European Economic and Social Committee (EESC) and to the Committee of the Regions (CoR)¹⁰, the EESC adopted on 19 September 2018 its opinion on the MFF package¹¹ and the CoR adopted its opinion on 9 October 2018¹².
11. On its own initiative, the Court of Auditors provided an opinion concerning the RoL proposal¹³.
12. The President of the European Council has proposed¹⁴ to have a first substantial exchange of views on the MFF at the December 2018 meeting of the European Council, on the basis of a progress report by the Presidency.

¹⁰ Doc. ST 10993/18

¹¹ Doc. ST 12651/18

¹² Doc. ST 13294/18

¹³ Doc. ST 11707/18

¹⁴ Doc. ST 13430/18

III. CONCLUSION

13. On the basis of input from delegations and in accordance with its mandate, the Presidency has presented the draft Negotiating Box in document ST 14759/18. The purpose of the draft Negotiating Box is to identify and confirm the issues which will need to be addressed in the course of the negotiation on the Multiannual Financial Framework, and where appropriate, facilitate the discussion on options and solutions on individual issues. The presentation of the draft Negotiating Box does not aim at any concluding debates or compromises at this stage.
14. In light of the complexity of the discussions, the Presidency is of the view that some elements of the draft Negotiating Box deserve more consideration at technical level, benefitting from a possible refinement of options, while other elements need political guidance in order to be taken forward.
15. The Presidency invites COREPER and GAC to take note of progress achieved, ahead of the oral report the Presidency will present to the European Council in December 2018 and the related exchange of views.
