PISM | POLSKI INSTYTUT SPRAW MIĘDZYNARODOWYCH
THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

BULLETIN

No. 40 (493), 19 April 2013 © PISM

The European Parliament's Political Game around the Multiannual Financial Framework

Agata Gostyńska

The European Parliament (EP), in a resolution of 13 March 2013, expressed opposition to the deal on the EU Multiannual Financial Framework 2014–2020 (MFF), agreed at the European Council summit on 7–8 February. Even though the MFF ceilings were not directly contested in the resolution, the presented wish list foreshadows tough negotiations with the Irish presidency. The motto "nothing is agreed until everything is agreed" underpins the Parliament's negotiating strategy, by which it hopes to strengthen its hand and guarantee concessions for MEPs elected in 2014. Reaching agreement with the EP on MFF by the end of this year is within reach. However, much might depend on reconciling divergent interests, including on the Amending Budget 2013, which is perceived by the EP as a precondition to further negotiations.

The EP's Procedural Trade-off. An enhanced dialogue between, successively, the Hungarian, Polish, Danish and Cypriot presidencies and the EP has been aimed at reducing the risk it will reject the MFF deal—a process that has now passed to the Irish. This dialogue is explained by the fact that the MFF procedure formally allows the EP to step into negotiations only in the final stage, either accepting or rejecting the draft and without the right to make individual amendments. Member States are thus supposed to pre-empt the EP's position on the MFF's substance if they wish for speedy consent. This seldom occurs, however, and over the years the EP has fought to increase its leverage by linking it to progress in other legislative acts or annual budgets—a sign of its growing dissatisfaction with the limited reach of the consent procedure, which has also been expressed in the negotiation of international agreements. In 2010, it blocked the successful adoption of the annual budget in exchange for a political declaration from the presidencies that the EP would be regularly informed on the MFF negotiations. Today, by creating a package of the MFF regulation to which it has to give consent, the inter-institutional agreement (IIA) on cooperation in budgetary matters and sound financial management, as well as of acts on sector-specific programmes in which MEPs co-decide, the EP continues with its procedural bargaining.

Parliament's Negotiating Position. The resolution combines two rationales. The first consists of well-founded technical concerns advocating improvements in the efficiency of the financial perspective. The other reflects MEPs' concerns about their continued marginalisation in the reshuffle of eurozone architecture. The common denominator for both is the sovereign debt crisis. It gave net payers to the EU budget a strong argument to call for a reduction in the MFF, but also handed MEPs arguments to fight for such instruments as flexibility or a budget-revision clause enabling the MFF to adapt to changing economic circumstances, including the EU's economic recovery. Moreover, the EP, which has frequently been sidelined in decisions on EU economic governance, is struggling to safeguard its influence on the EU's new post-crisis architecture as sensitive political issues are handled under time pressure. The use of the MFF in a broader political game places in question its successful launch before the end of the year, thus risking extending the ceilings and other MFF provisions corresponding to 2013 till the agreement is reached. For it to be achieved, four issues will have to be addressed:

I. An amending budget as a pre-condition for opening negotiations. The EP has demanded that the European Commission issue a 2013 amending budget covering obligations pending from 2012 and those due before the end of 2013. This is supposed to prevent any further shift of unpaid bills from the 2013 budget to the next MFF. On 27 March, the European Commission issued a proposal for an extra €11.2 billion with a substantial share for unresolved claims in Cohesion Policy. As the proposal does not prevent the EU from widening the gap in EU finances (still around €5 billion of unpaid commitments) and raises Member States' concerns with regards to additional contributions, swift compromise on an amending budget, and thus on the MFF, will be difficult.

II. More flexibility rather than higher ceilings. MEPs have demanded greater flexibility, leading possibly to the more effective use of MFF ceilings. This would allow the EU to partially offset cuts in the austerity-driven MFF. Shifting resources between the expenditure categories and between the financial years, and also activating by qualified majority voting (QMV) a contingency margin set outside the MFF ceiling would presumably allow the EU to adapt to unforeseen events. However, this activation, together with MEPs' demands to recycle any surplus in the EU budget rather than let it flow back to Member States, creates a potential bone of contention with the Council.

III. The contested issue of own resources. The Council decision authorising the initiation of enhanced cooperation towards a financial transaction tax (FTT) gave new momentum to MEPs to strengthen their calls for an own-resources system—a system of finance separate from the Member States' direct contributions. However, the vague invitation in the relevant Council conclusions to examine whether revenues from an FTT could provide for the overall EU budget hardly promises a breakthrough with the EP, especially since the 11 participating members are divided about how to utilise these revenues.

IV. A widened mandate for newly-elected MEPs. The EP's negotiating stance should be analysed in the wider context of the forthcoming 2014 European elections and through the prism of the EP's dynamic evolution. It is not just that. Voters who show generally little interest in EU affairs have in fact paid attention to this political battle. The seven-year financial perspective agreed by heads of state and government would leave a new batch of MEPs elected in 2014, and with a mandate for five years, with less leverage in the ongoing inter-institutional dialogue on the EU's economic condition and EU finances. This is why the EP uses the possibility of delaying the adoption of the MFF and embracing the option of a continuation of spending at 2013 levels as a political chip to obtain new concessions for its next term in the post-crisis architecture.

The legally-binding budget-revision clause demanded by the EP and triggered around 2017—although mobilising the EU to think about the MFF shape in the context of changing economic circumstances including recovery from austerity—would foremost guarantee the incoming MEPs' involvement in amending MFF regulation. A similar rationale lies behind the unity-of-budget principle, promoted by the EP, and whereby all revenues and expenditures involving EU-related activities, possibly including also those arising from intergovernmental agreements such as the Treaty on a European Stability Mechanism or Fiscal Compact, would be presented in the document attached to the annual draft budget. This would ensure the EP better monitoring of the multi-tier governance of the EU and any ideas concerning separate budget instruments for the eurozone in the years to come.

Conclusions and Recommendations. Because of their strategic importance, MFF negotiations are perceived by the EP as an attractive platform to obtain new concessions from Member States. However, it might prove difficult to establish in the EP a coherent coalition representing the "supranational interest" of the European Union on multi-annual funding. Additionally, the use of a secret ballot initially suggested during the plenary vote on the MFF regulation would probably be insufficient in forming a joint EP stance vis-à-vis the Council. This substantially reduces the risk the MFF would be rejected. However, net payers' reluctance to concede additional contributions to the 2013 amending budget will complicate negotiations and put at risk the chances of adopting the MFF before the summer break, as will concerns from the net beneficiaries about the scope of any mid-term revision to the budget.

The lack of a swift consensus on the MFF would be disruptive to the EU's long-term investments and would question the credibility of the EU institutions. It should be avoided, not least by Poland which is content with its expected allocations from the new MFF. It is in Poland's interest both to maintain the strategic relationship developed with the EP during its rotating presidency so as to safeguard its own influence in the eurozone governance debate where the EP has been an ally of members obliged to join the common currency area, but also to swiftly launch the new multiannual perspective. Based on its experience arising from its General Affairs Council chairmanship devoted to the MFF, Poland should fully engage the Council on hammering out a mandate for the Irish and possibly the Lithuanian presidencies. In this regard, the EP's postulates concerning the unity of the EU budget could facilitate the efforts of the "pre-ins" to build bridges with the eurozone and mitigate the risk of further fragmentation of European integration.