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**Article**

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Ákos Kengyel\*

# A Neglected Aspect of the Debates on the EU Budget: Duration of the MFF

In May 2018, the European Commission published its proposal on the Multiannual Financial Framework (MFF) for the period 2021-2027. Preparation for the post-2020 MFF requires comprehensive analysis of the characteristic features of the EU budget and of the priorities that should be supported at the EU level. The duration of the MFF has not received great attention in academic analyses and official documents, but it has strategic importance in terms of achieving goals and implementing policies. This article analyses the advantages and disadvantages of five-year, seven-year and ten-year MFF durations, as well as their consequences.

Many research papers focusing on the EU budget concentrate primarily on the meaning of European public goods or European added-value and how to improve the efficiency of EU budgetary spending. Studies generally emphasise a reform of the EU's own resources or desirable shifts on the expenditure side.<sup>1</sup> Other articles deal with the importance and implementation of individual EU policies. However, there are practically no available studies on the most suitable duration of the EU's medium-term budget, the Multiannual Financial Framework (MFF). This is unfortunate, as budget duration has strategic importance in terms of achieving EU goals and implementing policies in the most effective and efficient way. It is time to analyse the main advantages and disadvantages of the different scenarios from the point of view of predictability (stability) and responsiveness (flexibility), as well as from the perspective of political cycles and implementation time tables.

\* This paper is based on a study commissioned by the European Parliament's Policy Department on Budgetary Affairs in July 2017 and published in October 2017 to support the preparations for the MFF post-2020. The views expressed in this analysis are those of the author and not those of the European Parliament. See: Á. Kengyel: The next Multiannual Financial Framework (MFF) and its Duration, Policy Department for Budgetary Affairs, European Parliament, 2017, available at [http://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603798/IPOL\\_IDA\(2017\)603798\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603798/IPOL_IDA(2017)603798_EN.pdf).

<sup>1</sup> See: Á. Kengyel: New Headings – Old Problems: The Evolution and Future of the EU Budget, in: *Intereconomics*, Vol. 51, No. 2, 2016, pp. 100-106.

## Approaches and statements on the duration of the MFF

Concerning the legal background, Article 312 of the Treaty on the Functioning of the European Union (TFEU) transformed the MFF from an interinstitutional agreement into a legally binding act. The TFEU declared that the MFF shall be established for a period of at least five years. This means that the Treaty allows further discussion on the optimum duration.

The European Parliament (EP) has repeatedly called for aligning the MFF period with the terms of office of the Parliament and the Commission. In its decision on the conclusion of an interinstitutional agreement on budgetary discipline and sound financial management of May 2006, the EP expressed its opinion that “all future financial frameworks should be established for a period of five years compatible with the mandates of the Parliament and the Commission”.<sup>2</sup>

In the October 2010 Communication on the Budget Review, the option of a ten-year MFF post-2020 with a “substantial mid-term review (‘5+5’)” was presented as the “most attractive one” by the European Commission.<sup>3</sup> According to the Commission, this option would provide stability and predictability for the financial programming period but also the opportunity for a major re-prioritisation: “Overall ceilings and the core legal instruments would be fixed for ten years. But the distribution

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<sup>2</sup> European Parliament: IIA on budgetary discipline and sound financial management, P6-TA(2006)0210, 17 May 2006, point 9.

<sup>3</sup> European Commission: The EU Budget Review, COM(2010) 700 final, 19 October 2010, p. 23.

of resources within headings, and the prioritisation within programmes and instruments, would be left open for reassessment”.<sup>4</sup>

As summarised in a Reflection Paper from December 2010, the European Parliament expressed that the MFF

should ensure the right balance between stability and medium-term predictability, and flexibility, in order to better respond to developments and new needs. ... The longer the duration of the MFF, the more critical the need to foresee possibilities to adapt to new situations; and the shorter the period, the higher the flexibility.<sup>5</sup>

In its resolution of June 2011 on the MFF 2014-2020, the European Parliament opted for a seven-year period as the “preferred transitional solution”, at the same time stressing that this “should not pre-empt the possibility of opting for a 5 or 5+5 year period as of 2021”.<sup>6</sup>

As part of the agreement on the MFF 2014-2020, it was declared that the European Parliament, the Council and the Commission would examine the most suitable duration for the next MFF considering the respective terms of office and the need for stability and predictability.<sup>7</sup>

In its latest documents, the EP has clearly expressed that a 5+5 cycle could be seriously considered as a possible solution for the post-2020 period. In its July 2016 resolution on the preparation of the post-electoral revision of the MFF 2014-2020, the EP pointed out that elements requiring greater flexibility should be agreed for five years, while other longer-term programming should rather be agreed for a period of 5+5 years with a mid-term revision.<sup>8</sup>

In the mid-term review of September 2016, the Commission stressed that

the current duration of seven years is not well synchronised with the five year terms of the mandate of the European Parliament and of the Commission. The chal-

lenge is how to reconcile the requirements and time needed for preparing and implementing EU funds, in particular those under shared management, with the duration of the MFF.<sup>9</sup>

The Commission Staff Working Document accompanying the mid-term review Communication recalled the three main options for the duration that had been previously discussed: (a) aligning with the political mandates (five years), (b) maintaining the seven-year duration, or (c) considering a period of ten years with a substantial, compulsory review after five years (“5+5”).<sup>10</sup> As the document stresses,

identifying the challenges for the next MFF will also require a thorough analysis of the medium-term challenges over a 10-year horizon, a major difficulty given the rapidly changing circumstances of our globalised world. A financial framework which has to bridge the gap between a stable investment horizon and catering to acute emergencies will require inbuilt resilience and flexibility from the very outset.<sup>11</sup>

In the Reflection Paper on the Future of EU Finances of June 2017, the Commission emphasised that there is a need to find the right balance between the stability and flexibility of financing. Concerning the duration of the MFF, the Commission called attention to the fact that most Member States and stakeholders are accustomed to operating within the seven-year period. The Reflection Paper warns that “reducing the current 7-year duration to 5 years would reduce the predictability of financing. This could be a problem in particular for investments that require more time.” On the other hand, it mentions that “a 5-year timeframe would align with the mandates of the European Parliament and the Commission. This would strengthen the democratic debate on the EU’s spending priorities and put the EU budget more clearly at the centre of European politics”.<sup>12</sup> However, this document dealing with the different options for the future EU budget does not propose scenarios for the desirable or optimum solution for the duration of the next MFF.

4 Ibid.

5 European Parliament: Reflection Paper on the duration of the MFF post-2013, 1 December 2010, pp. 3-4.

6 European Parliament: Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe, P7\_TA(2011)0266, 8 June 2012.

7 Council of the European Union: Council Regulation (EU, EURATOM) No. 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020, in: Official Journal of the European Union, L 347, 20 December 2013, pp. 884-891.

8 European Parliament: Preparation of the post-electoral revision of the MFF 2014-2020: Parliament’s input ahead of the Commission’s proposal, P8\_TA(2016)0309, 2016, point 75.

9 European Commission: Mid-term review/revision of the multiannual financial framework 2014-2020: An EU budget focused on results, SWD(2016) 299 final, COM(2016) 603 final, 14 September 2016, p. 14.

10 European Commission: Commission Staff Working Document Accompanying the document Communication from the Commission to the European Parliament and the Council: Mid-term review/revision of the multiannual financial framework 2014-2020: An EU budget focused on results, COM(2016) 603 final, SWD(2016) 299 final, 14 September 2016, p. 36.

11 Ibid., p. 35.

12 European Commission: Reflection Paper on the Future of EU Finances, COM(2017) 358, 28 June 2017, p. 25.

In its resolution of March 2018 on the next MFF, the EP called on the Commission “to draw up a clear proposal setting out the methods for the practical implementation of a 5+5 financial framework.”<sup>13</sup> The European Parliament expressed that “a single five-year period cannot be considered for the duration of the MFF, owing to the serious impediments that it would impose on the programming and implementation requirements of several EU policies.”<sup>14</sup> In this latest resolution on the next MFF, the EP acknowledged that a 5+5 solution could not be implemented immediately, since the EP elections in spring 2019 do not align with the current MFF, which runs through December 2020. Thus, “the next MFF should be set for a period of seven years (2021-2027), including a mandatory mid-term revision, by way of a transitional solution to be applied for one last time.”<sup>15</sup>

Finally, in its official proposal for the MFF 2021-2027 published on 2 May 2018, the European Commission referred only to the future possibility of a five-year MFF, stating that it

recognises the merit of progressively synchronising the duration of the Financial Framework with the five-year political cycle of the European institutions. However, moving to a five-year cycle in 2021 would not offer an optimal alignment. The proposed seven-year cycle will give the Commission taking office following the European elections of 2024 the opportunity to present, if it so chooses, a new framework with a duration of five years, starting in 2028.<sup>16</sup>

Concerning the duration, it should be mentioned that in its briefing paper on the mid-term review of the MFF 2014-2020, the European Court of Auditors pointed out that

the whole MFF cycle is actually over 13 years, as proposals are first made two years before the next period and the eligibility for programme spending extends three years after the programming period (“n+3”) and programmes are not closed until 1.5 years after that eligibility period ends.<sup>17</sup>

Given the long-term commitment to review the duration of the post-2020 MFF, it is time to analyse the main advantages and disadvantages of the different scenarios from the point of view of predictability (stability) and responsiveness (flexibility), as well as from the point of view of political cycles and implementation time tables. In this analysis, the five-year, seven-year and ten-year (5+5) options will be evaluated. However, it should be noted that these options are purely theoretical scenarios, given that a change of duration can only be realistically expected after the implementation of the next MFF for 2021-2027.

### Option 1: Five-year MFF

The five-year timeframe would align with the mandates of the European Parliament and Commission. A five-year MFF would allow each Commission to propose and each Parliament to negotiate a framework, even if they would not take part in the full implementation process. This would strengthen the democratic debate on the EU's spending priorities and put the EU budget more clearly at the centre of European politics.

Theoretically, a five-year framework would start in 2021 and finish in 2025. Preparation for the period has already started with the mid-term review of the current framework; the Commission communication was published in September 2016, regulatory changes were passed in June 2017 and the Commission proposal was published in May 2018. Thus, the negotiations among the Member States and the institutions could start already. Based on past experience, the discussion requires 18-24 months before the final agreement can be concluded. Practically, this means that the new MFF regulation can be passed by mid-2020. The mid-2019 EP elections and the setting up of the new Commission could cause some delays in the process, although the Council could continue the discussion. In any case, the post-2020 MFF negotiations will be based on the proposal prepared by the current Commission and will be concluded during the term of the next Commission and Parliament.

The newly elected Commission would have only one year before it should start to prepare in 2022 the review of the MFF 2021-2025 and the new proposal for the MFF 2026-2030. Because of limited time, the review and the new proposal should be prepared simultaneously in 2022 to enable negotiations on the new MFF to start in 2023. The discussion would last for two years (2023-2024), and the regulatory framework should be accepted no later than mid-2025. In the meantime, a new Parliament and a new Commission will be elected in mid-2024.

13 European Parliament: European Parliament resolution of 14 March 2018 on the next MFF: Preparing the Parliament's position on the MFF post-2020, P8\_TA-PROV(2018)0075, 2018, point 22.

14 Ibid., point 22.

15 Ibid., point 23.

16 European Commission: A Modern Budget for a Union that Protects, Empowers and Defends: The Multiannual Financial Framework for 2021-2027, SWD(2018) 171 final, COM(2018) 321 final, 2 May 2018, p. 24.

17 European Court of Auditors: EU budget: time to reform? A briefing paper on the mid-term review of the Multiannual Financial Framework 2014-2020, 2016, paragraph 37.

This “busy” timetable clearly reflects the fact that in the case of a five-year MFF cycle, the actual duration of the MFF would run from mid-point to mid-point of the political mandates (elections in mid-2019, mid-2024 and mid-2029; the starting years of the MFFs would be 2021, 2026 and 2031). It would also imply that institutions might end up in a permanent “negotiating” mode (see Table 1).

### Advantages

A five-year MFF would achieve better democratic legitimacy due to the alignment with the European Parliament and Commission mandates. It is assumed that a shorter duration would also bring more flexibility, making it easier to adjust to unforeseen developments, reflect new needs and be more responsive to changes. However, this flexibility and responsiveness can be expected only in the medium term; a complete revision can be made every five years, but there is no guarantee of greater flexibility within the five-year period.

It should be noted that, as the mid-term review of the current MFF emphasises, about 80% of the EU budget is pre-allocated these days, which limits the budget's responsiveness to evolving needs. A crucial issue is whether this situation can be changed through more flexible approaches and regulatory changes in the future. Simpler and more flexible rules are needed to accelerate the implementation of the multiannual programmes, particularly in connection with the European Structural and Investment Funds.

### Disadvantages

One of the most important negative effects of a five-year MFF would be continuous negotiations on the medium-term budget. A shorter MFF duration could lead to less predictability. It would also cause a problem over the long term because preparation for the subsequent MFF would have to start at the very beginning of the current one, further reducing the possibility of drawing lessons for the future. Preparation of the next MFF would be based on the experiences and *ex post* evaluation of the previous MFF, as the full evaluations of the current one would not be available before the next MFF without radical programming changes (i.e. shorter lead times for implementation).

There could be a negative impact on the life cycle of multiannual programmes, and the shorter duration would hinder the development of long-term policies, such as cohesion, agriculture and trans-European networks (TENs). Some disadvantages could be experienced in terms of planning lead times: longer periods not only al-

low programmes to make more important changes, but they may also better align with the investment patterns of the private sector. A shorter implementation period would cause serious time constraints for multiannual programmes, particularly in the case of cohesion policy funding.

As the reflection paper on EU finances emphasises, even during the current seven-year period,

the policy has become increasingly complex to manage, hampering implementation on the ground and creating delays. The layers of controls and bureaucratic complexity make it difficult for beneficiaries to access these funds and deliver projects quickly. Therefore, a much more radical approach to simplifying implementation and allowing for more agile and flexible programming is needed for the future.<sup>18</sup>

This proposal would have particular significance if the implementation period became shorter. Even in the case of a five-year MFF, the *n*+3 decommitment rule should be maintained.<sup>19</sup> In addition, it should be mentioned that because of the time-consuming implementation of several programmes and projects, it can be assumed that most of the spending during a five-year MFF would relate to the programmes initiated in the previous cycle.

### Option 2: Seven-year MFF

An MFF longer than five years can provide greater predictability and stability for programmes. At the same time, as the current MFF period has clearly shown, there is a need for more flexibility due to changed circumstances.

From the point of view of political cycles, the seven-year duration is not synchronised with the five-year terms of the European Parliament and Commission. This means that in certain periods, the Commission can play a crucial role in the preparation of a new MFF, but during the implementation phase another Commission and Parlia-

<sup>18</sup> European Commission: Reflection Paper..., op. cit., p. 17.

<sup>19</sup> Programmes funded by the European Structural and Investment Funds should be used within three years from the date of commitment in the EU budget. Since 2014, the former *n*+2 decommitment rule has changed to *n*+3 as a main rule. It gives more time for implementation; however, this extended time period reduces the incentives for early project implementation in the Member States. The delays and late payments can cause several problems from the point of view of EU budgetary management level and with regards to drawing lessons from project results. When considering future rules, *n*+2 or *n*+3 could be relevant options.

Table 1  
The implementation process of the three MFF scenarios

Year	EP/COM mandates	Implementation of a five-year MFF	Implementation of a seven-year MFF	Implementation of a ten-year (5+5) MFF
2016	2014-2019	Mid-term review of the MFF 2014-2020	Mid-term review of the MFF 2014-2020	Mid-term review of the MFF 2014-2020
2017				
2018		Preparation of the proposal for the MFF 2021-2025	Preparation of the proposal for the MFF 2021-2027	Preparation of the proposal for the MFF 2021-2030
2019		COM proposal and start of negotiations among the Member States and the EU institutions	COM proposal and start of negotiations among the Member States and the EU institutions	COM proposal and start of negotiations among the Member States and the EU institutions
2020	2019-2024	Agreement in the European Council and consent given by the European Parliament	Agreement in the European Council and consent given by the European Parliament	Agreement in the European Council and consent given by the European Parliament
2021		Start of implementation of the MFF 2021-2025	Start of implementation of the MFF 2021-2027	Start of implementation of the MFF 2021-2030
2022		Review and preparation of the proposal for the MFF 2026-2030		
2023		End of n+3 period COM proposal and start of negotiations among the Member States and the EU institutions	Mid-term review of the MFF 2021-2027	Mid-term review and proposals for the second half of the period starting in 2026
2024	2024-2029		Preparation of the proposal for the MFF 2028-2034	Agreement in the European Council and consent given by the European Parliament
2025		Agreement in the European Council and consent given by the European Parliament End of the five-year period	COM proposal and start of negotiations among the Member States and the EU institutions	
2026		Start of implementation of the MFF 2026-2030		Start of implementation of the second half of the period between 2026-2030
2027		End of n+2 period Review and preparation of the proposal for the MFF 2031-2035	Agreement in the European Council and consent given by the European Parliament	Revision and COM proposal for the MFF 2031-2040
2028	2029-2034	End of n+3 period COM proposal and start of negotiations among the Member States and the EU institutions	Start of implementation of the MFF 2028-2034	Start of negotiations among the Member States and the EU institutions
2029				
2030		Agreement in the European Council and consent given by the European Parliament	Mid-term review of the MFF 2028-2034	Agreement in the European Council and consent given by the European Parliament
2031		Start of implementation of the MFF 2031-2035	Preparation of the proposal for the MFF 2035-2041	Start of implementation of the MFF 2031-2040
2032	2032-2034		COM proposal and start of negotiations among the Member States and the EU institutions	
2033				Mid-term review and proposals for the second half of the period starting from 2036
2034			Agreement in the European Council and consent given by the European Parliament	

Source: Author's elaboration.



ment would be responsible for the realisation of the programmes and for the preparation of a mid-term review.

In practice, a seven-year MFF would be implemented between 2021 and 2027. As mentioned earlier, preparation for the period has already started, and negotiations among the Member States and the institutions may begin. As before, we can assume that the discussion will last for 18-24 months and the final agreement could be concluded in early 2020. The post-2020 MFF negotiations would be based on the proposal prepared by the current Commission, and they would be concluded during the term of the next Commission and Parliament (2019-2024).

The new Commission would be obligated to prepare the mid-term review in mid-2023 and discuss it with the EP by mid-2024. Ideally, they would agree on the necessary changes and revision for the second half of the MFF term. However, in mid-2024 a new EP will be elected and a new Commission will start its cycle (2024-2029); this may cause some delays in introducing the required regulatory changes. In any case, the newly elected Commission should immediately begin preparation of the proposal for the next MFF for the period 2028-2034.

That proposal should be published by mid-2025, after which the discussion among the Member States should begin. The discussion would last until early 2027, and the regulatory framework should be accepted by mid-2027 at the latest, followed by implementation in 2028. The next Commission (2029-2034) should prepare the mid-term review in mid-2030, followed by the proposal for the next MFF (2035-2041). This reflects the fact that that Commission would be obligated to make a proposal and manage the negotiations, although the new MFF would be implemented during the next Commission's term.

### Advantages

The EU budget is mainly an investment budget which operates through multiannual programmes that require long-term predictability. The seven-year period could be appropriate for longer investment programmes, such as large-scale infrastructure (particularly for TENs) and research projects, as well as most of the cohesion policy projects. Multiannual programming has been one of the main successes of cohesion policy, and the benefits of this approach have become clearer over time as Member States' capacity to plan programmes over a number of years has developed.

Consistency and coherence in programming facilitate longer-term and more strategic planning. The EU pro-

gramming approach has promoted a strategic dimension in regional development policymaking. From a financial perspective, multiannual programming gives rise to a greater degree of certainty and stability as regards the availability of funding. Within a seven-year framework, there is more time to design and implement strategic investments. There is also more time for evaluation and for making revisions.

### Disadvantages

A seven-year MFF could be too long, as circumstances can change quite a bit over such a long time period and the budget would not be able to react quickly. Some policies may become outdated, and some programmes may no longer be appropriate. This is why a mid-term review and other flexible instruments or mechanisms are needed. The mid-term review should lead to a restructuring within the MFF based on the experience of the first period and considering previously unforeseen events.

This was one of the EP's main requests during the preparation for the current MFF, as mentioned in its Reflection Paper at the end of 2010:

A longer than 5 year MFF would need to be accompanied by a strong mid-term review, covering all aspects of expenditure and revenue. In such a case, the new MFF Regulation should, therefore, explicitly foresee a mid-term review clause, as well as a clearly defined specific procedure for this review and a resulting revision.<sup>20</sup>

The mid-term review and revision of the MFF is an opportunity to consider how to improve financial management and accountability. The review should comprehensively examine the performance and added value of the different areas of the EU budget and spending programmes. It should also make proposals for some restructuring and changes. However, given the fact that the Commission must prepare the review by the second half of the third year, the mid-term review can only be based on the implementation experience of the first two years.

If there are delays in programme implementation, the mid-term review would have to be based on assumptions or on the experiences of the previous MFF. Unfortunately, this situation arose with the present MFF. The accompanying Commission Staff Working Document on the current mid-term review stressed that the implementation of the new operational programmes has been very slow. The main reason was that

<sup>20</sup> European Parliament: Reflection Paper..., op. cit., p. 5.

a series of innovative elements to deliver high quality investments have been introduced. Putting this ambitious new approach into practice in Member States and regions requires time and resources in the start-up phase. Hence, so far the implementation of the new programmes has mainly been limited to the payment of the initial and annual pre-financing.<sup>21</sup>

In the future, more streamlined, simpler rules are needed in order to avoid delays in implementation. Additional reserves and flexible instruments are also required to finance new actions or programmes that become necessary.

### Option 3: Ten-year (5+5) MFF

The third possible option is a ten-year MFF with a substantial mid-term review (“5+5”). Overall ceilings and the core legal instruments could be fixed for ten years, but this would be combined with a maximum level of flexibility and very strong review clauses. Major revisions must be conducted at mid-term. Substantial reserves and margins should be built into all parts of the budget. A significant amount should be set aside as reserves in each heading and programme (10-20%), and these reserves would only be made available after a mid-term review based on a detailed evaluation of well-defined performance indicators.

The 5+5 timeframe would align with the EP and Commission mandates, so each Parliament and Commission could have a decisive role in medium-term budgetary issues. From the point of view of political cycles, this would be similar to Option 1, in that the debate on the EU budget would become an important, permanent priority for each Commission and Parliament. The Commission would initiate the entire framework proposal for a full decade. The next Commission and Parliament would also have strategic roles during the mid-term revision.

In theory, the next framework for a 5+5-year MFF would be implemented between 2021 and 2030. Similar to the previously described timetables, negotiations among the Member States and the institutions could start in mid-2018. The discussion requires 18-24 months, and thus the final agreement could be concluded in early 2020. The negotiations would be based on the proposal prepared by the current Commission and would be concluded during the term of the next Commission and Parliament elected for the period 2019-2024. The new Commission would start a substantial mid-term review and

would publish its proposals in mid-2024. It would be a delicate issue, because of the mid-2024 elections. However, this document should be presented on time, in order to avoid delays and allow enough time for discussion and agreement on the desired changes.

The second half of the ten-year period would start in 2026. The new Commission, whose term would begin in 2024, should prepare the proposal on the post-2030 MFF between mid-2027 and mid-2028. The negotiations could start in mid-2028 and conclude by the beginning of 2030. In mid-2029, a new EP will be elected and a new Commission will start its cycle. The new EP would have to consent to the budget.

### Advantages

The main advantages of a ten-year MFF would be the stability and predictability it would bring to multiannual programmes, as well as its better alignment with strategic planning requirements. The ten-year MFF would provide the opportunity to bring long-term strategy and policymaking in line with the budgetary cycle.

In 2000, the EU introduced ten-year strategic planning cycles: first the Lisbon Strategy was launched for the period 2000-2010, followed by the Europe 2020 Strategy for the period 2010-2020. It can be assumed that when the Europe 2020 Strategy expires, a new strategy will be defined for the next decade. So far, these strategies' time horizons have not been aligned with the seven-year cycle for managing the MFF. A new ten-year timeframe for the EU budget would provide the opportunity to translate the targets and priorities of political aspirations into operational objectives for spending programmes and schemes. In this case, all other strategic documents should be prepared in the same timeframe.<sup>22</sup> The EU has adequate regulatory experience in managing medium-term multiannual programmes. Horizon 2020, Erasmus+, the Connecting Europe Facility and the Cohesion Fund could be run on ten-year cycles. However, some flexibility for the second half of the period should be built in.

Compared to the current mid-term review, which is based on data from only the first two years of implementation, a mid-term review undertaken three or four years after implementation would reflect more experience and results. Performance benchmarks would have to be clearly specified, including a set of well-defined targets, milestones and indicators, which would be monitored

<sup>21</sup> European Commission: Commission Staff..., op. cit., p. 9.

<sup>22</sup> This could relate, among others, to TENs, goals related to climate change, sustainable development, research and innovation policies, or education and training programmes.



and would serve as a basis for the mid-term review and revision of the framework for its second five-year term. The mid-term review would provide the opportunity for a major re-prioritisation, if appropriate flexibility rules are guaranteed.

### Disadvantages

If the overall ceiling and the core legal instruments of the MFF were fixed for ten (or 5+5) years, this would increase the MFF's rigidity. The distribution of resources among headings and the prioritisation within programmes and instruments could be left open to some degree for re-assessment, however. One approach would be to facilitate this – while ensuring sufficient flexibility for new needs – through the retention of substantial reserves and margins in all parts of the budget.

Such reserves could be rapidly mobilised within and across the Union's main programmes. However, it is unclear how the appropriate level of reserves and margins could be estimated so far in advance. The Member States and the Commission would have to present well-justified evaluations and review the results achieved during the first term of the ten-year cycle, as well as the restructuring and reprioritisation needs in the second part of the period.

### Conclusions

The EU Member States are not particularly interested in the duration of the MFF; it seems they have grown accustomed to the seven-year period of planning. Nor have the EU institutions prepared detailed analyses of the optimum duration of the MFF. The official proposals and statements from the European Commission or the European Parliament for the post-2020 MFF postpone the real debate on the duration of the next MFF.

In this short article, the main advantages and disadvantages of five-year, seven-year and ten-year (5+5) scenarios were examined from the point of view of predictability (stability) and responsiveness (flexibility), as well as from the perspective of political cycles and implementation time tables. The main findings of the analysis were:

- It is assumed that a shorter duration would bring more flexibility and make it easier to adjust to unforeseen developments, reflect new needs and be more responsive to changes. However, this flexibility and responsiveness can be expected only in the medium term. A five-year MFF would require that at the start of one MFF, the preparation for the next MFF would

have to begin, reducing the possibility of drawing lessons for the future. A shorter term would hinder the development of long-term policies, such as cohesion, agriculture and TENs.

- An MFF longer than five years could provide greater predictability and stability for programmes. In addition, there would be more time for the design and implementation of strategic investments, as well as more time for evaluation of the current MFF in order to make appropriate proposals for the next one. However, a seven-year period may be too long to react to the evolving environment. This is why a mid-term review and other flexibility instruments or mechanisms are needed. The main advantage of a ten-year MFF would be its stability and predictability for the multiannual programmes and better compliance with strategic planning requirements. It would provide an opportunity to bring long-term strategy and policymaking in line with the budgetary cycle and to translate the targets and priorities of political aspirations into operational objectives. Compared to the current mid-term review, there would be a better chance of having more experiences and insights available after three or four years of implementation.
- The EU has adequate regulatory experience in managing medium-term multiannual programmes. Horizon 2020, Erasmus+, the Connecting Europe Facility and the Cohesion Fund could be run on ten-year cycles. However, some flexibility for the second half of the period should be guaranteed.

Taking into account all of the features of the three scenarios presented here, the third option seems to be the most desirable framework for the efficient implementation of the EU-level budget, because it would provide long-term stability and an appropriate level of responsiveness to support the most important functions of the EU budget.