

Multiannual financial framework for the years 2014-2020

2011/0177(APP) - 19/07/2013 - Legislative proposal

After an agreement in principle was reached on 28 June 2013 by the Committee of Permanent Representatives, the Council proposes an amended draft regulation laying down the EU's multiannual financial framework (MFF) for 2014-2020.

The main provisions of this revised draft may be summarised as follows:

Mid-term review/revision of the MFF: by the end of 2016 at the latest, the Commission shall present a review of the functioning of the MFF taking full account of the economic situation at that time as well as the latest macroeconomic projections. This **compulsory review shall, as appropriate, be accompanied by a legislative proposal for the revision of this Regulation.**

Principles: the revised regulation requires compliance with some major budgetary principles including respect for annual expenditure ceilings of the MFF, the implementation, if necessary, of special budgetary instruments defined below, or the respect of own resources ceiling.

Global margin for payments: every year, starting in 2015, as part of the technical adjustment referred to in the Regulation, the Commission shall adjust the payment ceiling for the years 2015-2020 upwards by an amount equivalent to the difference between the executed payments and the MFF payment ceiling of the year n-1.

The annual adjustments shall not exceed the following maximum amounts for the years 2018-2020 as compared to the original payment ceiling of the relevant years:

- 2018 - EUR 7 billion
- 2019 - EUR 9 billion
- 2020 - EUR 10 billion.

Any upward adjustment shall be fully offset by a corresponding reduction of the payment ceiling for year n-1.

Technical adjustments: each year the Commission, acting ahead of the budgetary procedure for year n+1, shall make technical adjustments to the MFF on the basis of a fixed deflator of 2% per year. It shall communicate the results of the technical adjustments and the underlying economic forecasts to the European Parliament and the Council.

Provisions are also laid down as regards the adjustment of **cohesion policy envelopes**. Thus, to take account of the particularly difficult situation of Member States suffering from the crisis, **the Commission shall in 2016, together with the technical adjustment for the year 2017, review all Member States' total allocations under the "Investment for growth and jobs" goal of cohesion policy for the years 2017 to 2020.** It shall adjust those total allocations whenever there is a cumulative divergence of more than +/- 5 %.

The required adjustments shall be spread in equal proportions over the years 2017-2020 and the corresponding ceilings of the MFF shall be modified accordingly. The payment ceilings shall also be modified accordingly to ensure an orderly progression in relation to the appropriations for commitments.

If a Member State either becomes newly eligible to the Cohesion Fund or loses its existing eligibility, the Commission shall add or subtract the resulting amounts to or from the funds allocated to the Member State for the years 2017 to 2020. The total net effect, whether positive or negative, of the adjustments shall **not exceed EUR 4 billion**.

Adjustments related to macroeconomic conditionalities linked to the coordination of Member States' economic policies: in the case of the lifting by the Commission of a suspension of budgetary commitments concerning the Structural Funds or any other Fund in the context of macroeconomic conditionalities linked to the coordination of Member States' economic policies, the Commission shall transfer the suspended commitments to the following years. Suspended commitments of year n may not be rebudgeted beyond year n+3.

Special Instruments: a series of budgetary instruments are provided to ensure the financing of policies or specific instruments considered to be special:

- **Emergency Aid Reserve:** this Reserve is intended to allow for a rapid response to specific aid requirements of the countries following events which could not be foreseen when the budget was established, first and foremost for **humanitarian operations**, but also for civil crisis management and protection, and situations of particular pressure resulting from **migratory flows** at the Union's external borders where circumstances so require. The annual amount of the Reserve is fixed at **EUR 280 million** and may be used up to year n+1;
- **European Union Solidarity Fund:** the EUSF is intended to allow financial assistance in the event of major disasters occurring on the territory of a Member State or of a candidate country. There shall be a ceiling on the annual amount available for that Fund of **EUR 500 million**;
- **Flexibility Instrument:** the Flexibility Instrument is intended to allow the financing, for a given financial year, of clearly identified expenditure which could not be financed within the limits of the ceilings available for one or more other headings. The ceiling on the annual amount is **EUR 471 million**;
- **European Globalisation Adjustment Fund (EGF):** the EGF shall not exceed a maximum annual amount of EUR 150 million and shall be entered in the general budget of the Union as a provision.
- **Contingency Margin:** a margin of up to 0.03% of the Gross National Income of the Union shall be constituted **outside the ceilings of the MFF**, as a last-resort instrument to react to
 - unforeseen circumstances;
- **Global margin for commitments for growth and employment, in particular youth employment** : margins left available below the MFF ceilings for commitment appropriations for the
 - years 2014-2017 shall constitute a Global MFF Margin for commitments, to be made available over and above the ceilings established in the MFF for the years 2016 to 2020 for
 - policy objectives related to growth and employment, in particular youth employment. The Global MFF Margin or part thereof may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure pursuant to Article 314 TFEU;
- **Specific flexibility to tackle youth unemployment and strengthen research:** up to EUR 2 543 million may be frontloaded in 2014 and 2015, as part of the annual budgetary procedure, for specified policy objectives relating to youth employment, research, ERASMUS in particular for apprenticeships, and Small and Medium-sized Enterprises. That amount shall be fully offset against appropriations within and/or between headings in order to leave unchanged the total annual ceilings for the period 2014-2020 and the total allocation per heading or sub-heading over the period.

Contribution to the financing of large-scale projects: the Financial Framework also takes account of the financing of large-scale projects:

- EUR 6 300 million for EGNOS and Galileo;
- EUR 2 707 million for ITER;

- EUR 3 786 million for Copernicus.

Revision of the MFF: measures are provided to ensure the eventual revision of the MFF in case of unforeseen circumstances. Any proposal for revision of the MFF shall examine the scope for **reallocating expenditure** between the programmes covered by the heading concerned by the revision, with particular reference to any expected under-utilisation of appropriations. Any revision shall take into account the scope for offsetting any raising of the ceiling for one heading by the lowering of the ceiling for another. Any revision shall maintain an appropriate relationship between commitments and payments.

Other provisions have been introduced to ensure the revision of the Financial Framework in case of:

- the enlargement of the Union
- the reunification of Cyprus
- the revision of the Treaties
- the revision related to implementation
- the revision following new rules or programmes concerning the Structural Funds or other European Funds.

The revision concerning the transfer of unused allocation for the year 2014 shall be adopted before 1 May 2015.

Interinstitutional cooperation in the budgetary procedure: the European Parliament, the Council and the Commission shall take measures to facilitate the annual budgetary procedure by cooperating through appropriate interinstitutional contacts in order to monitor the progress of the work and analyse the degree of convergence. Trilogues may be held at all stages of the procedure and at different levels of representation, depending on the nature of the expected discussions.

Transition towards the next multiannual financial framework: before 1 January 2018, the Commission shall present a proposal for a new multiannual financial framework.