

Multiannual financial framework for the years 2014-2020

2011/0177(APP) - 02/12/2013 - Final act

PURPOSE: to establish the legal framework for the next Multiannual Financial Framework (MFF) for 2014-2020.

LEGISLATIVE ACT: Council Regulation (EU, EURATOM) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020.

BACKGROUND: the adoption of this Regulation marks the end of two and a half years of negotiations and allows the new generation of EU spending programmes to be implemented as from 1 January 2014.

The MFF regulation and the [Interinstitutional Agreement](#) set out in legal terms the political agreement reached between the Council and the European Parliament on 27 June 2013. The expenditure limits for the next seven years are the same as in the [European Council's conclusions of 8 February 2013](#), and on four issues (flexibility, review/revision, unity of the budget and own resources) the texts address the European Parliament's requests.

The formal adoption of the MFF regulation and the IIA allows the Council and the European Parliament to conclude their work on the two other parts of the MFF package, i.e. the around 70 spending programmes and the three draft legislative acts on own resources (the revenues of the European Union).

CONTENT: the MFF 2014-2020 amounts to:

- **EUR 959.988 billion** in commitments or 1% of GNI on average over the seven years of the financial framework;
- **EUR 908.400 billion** in payments or 0.95% of GNI on average from 2014 to 2020.

This is 3.5% and 3.7% respectively less than under the MFF 2007-2013, ensuring budgetary discipline for the EU and reflecting the particular budgetary pressure that Member States currently face at national level.

A strong emphasis is put on expenditure aimed at boosting growth and creating jobs, in line with the political priorities of the EU.

Compliance with the ceilings of the MFF: the European Parliament, the Council and the Commission shall, during each budgetary procedure and when implementing the budget for the year concerned, comply with the annual expenditure ceilings set out in the MFF.

The sub-ceiling for Heading 2 (Sustainable Growth: Natural Resources) is established without prejudice to the **flexibility** between the two pillars of the Common Agricultural Policy (CAP).

The **special instruments** provided for in the Regulation shall ensure the **flexibility of the MFF** and shall be laid down in order to allow the budget procedure to run smoothly. The commitment appropriations may be entered in the budget over and above the ceilings of the relevant headings laid down in the MFF where it is necessary to use the resources from the Emergency Aid Reserve, the European Union Solidarity Fund, the Flexibility Instrument, the European Globalisation Adjustment Fund, the Contingency Margin, the specific flexibility to **tackle youth unemployment** and strengthen research and the global margin for commitments for growth and employment, **in particular youth employment**.

Respect of own resources ceiling: for each of the years covered by the MFF, the total appropriations for payments required, after annual adjustment and taking account of any other adjustments and necessary revisions, shall not be such as to produce a call-in rate for own resources that exceeds the own resources ceiling. Where necessary, the ceilings set in the MFF shall be lowered by way of revision in order to ensure compliance with the own-resources ceiling.

Global margin for payments: every year, starting in 2015, as part of the technical adjustment, 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, the Commission shall make technical adjustments 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.

As regards the adjustment of **cohesion policy envelopes** and in order 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 adjustments required 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.

In case 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 measures linking effectiveness of funds to sound economic governance: in the case of the lifting by the Commission of a suspension of budgetary commitments concerning the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development or the European Maritime and Fisheries Fund in the context of measures linking effectiveness of funds to sound economic governance, the Commission, in accordance with the relevant basic act, shall transfer the suspended commitments to the following years. Suspended commitments of year n may not be re-budgeted beyond year n+3.

Special instruments: a series of special budgetary instruments is laid down to ensure the flexibility of the financial framework:

Emergency Aid Reserve: this is intended to allow for a rapid response to specific aid requirements of third 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. The annual amount of the Reserve is fixed at **EUR 280 million** and may be used up to year n+1 in accordance with the Financial Regulation.

European Union Solidarity Fund: this Fund 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: this 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. There shall be a ceiling on the annual amount available for the Flexibility Instrument of **EUR 471 million**.

European Globalisation Adjustment Fund: this Fund shall not exceed a maximum annual amount of **EUR 150 million**.

Contingency Margin: a Contingency 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. It may be mobilised only in relation to an amending or annual budget. Recourse to the Contingency Margin shall not exceed, at any given year, the maximum amount foreseen in the annual technical adjustment of the MFF, and shall be consistent with the own-resources ceiling.

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. 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: specific rules are also necessary for dealing with large- scale infrastructure projects such as:

- EUR 6.3 million for EGNOS and Galileo;
- EUR 2 707 million for ITER;
- EUR 3 786 million for Copernicus.

Revision of the MFF: in the event of unforeseen circumstances, the MFF may be revised. 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 of the MFF 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 of the MFF shall maintain an appropriate relationship between commitments and payments.

Further rules are laid down for other situations that might require the MFF to be adjusted or revised. Such adjustments or revisions might be related to:

- the implementation of the budget,
- measures linking effectiveness of funds to sound economic governance,
- revision of the Treaties,
- enlargements,
- the reunification of Cyprus,
- or delayed adoption of new rules governing certain policy areas.

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.

The institutions shall cooperate in good faith throughout the procedure with a view to reconciling their positions. 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.

Unity of the budget: all expenditure and revenue of the Union and Euratom shall be included in the general budget of the Union in accordance with the Financial Regulation, including expenditure resulting from any relevant decision taken unanimously by the Council after consulting the European Parliament, in the framework of Article 332 TFEU.

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 in accordance with the procedures set out in the TFEU. Without prejudice to Article 7 of this Regulation, preallocated national envelopes shall not be reduced through such a revision.

ENTRY INTO FORCE: the Regulation shall enter into force on 23.12.2013. It shall apply from 01.01.2014.