Multiannual financial framework for the years 2014-2020

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PURPOSE: to present the mid-term review/revision of the multiannual financial framework 2014-2020 and a framework of new proposals for an EU budget focused on results.

BACKGROUND: the EU is facing a range of significant long-term challenges: strengthening Europe's economy and social fabric; ensuring security inside the EU and at its external borders; managing migration; and addressing the causes and consequences of climate change. Addressing these and other challenges requires comprehensive medium- to long-term policies and strategies, underpinned by adequate financial support at both European and national level.

The Union's multiannual financial framework provides essential medium-term predictability for supporting investment in Europe's priorities. However, in the current context of multiple crises, it also needs to be able to **adjust swiftly to changing priorities and unforeseen events and to deliver rapidly on the ground.**

As required by Article 2 of the MFF Regulation, the Commission presents a mid-term review of the functioning of the MFF, taking account of the economic and wider context. It reviews the main aspects of implementation of the current MFF since 2014: this period has been characterised by two issues: concerted efforts to promote economic recovery and the urgent imperative to respond to the refugee crisis and security threats. The Union needs to respond financially to these 3 challenges.

CONTENT: together with the increased appropriations proposed under the Draft Budget 2017, mainly for migration, and the additional allocations stemming from the technical adjustment of cohesion policy envelopes, the mid-term review financial package proposes about **EUR 13 billion of additional EU funding** in 2017-2020 for jobs and growth, migration and security.

1) Migration crisis: the unprecedented migration flows experienced in 2015 and the repeated terrorist attacks in Europe and throughout the world called for a strong and swift European response, combining new legislative, operational and financial means. As a central element of that toolbox, the EU budget has shown considerable flexibility in reorienting and making available additional means within the budget itself and in mobilising additional contributions from Member States and other donors. However this flexibility is reaching the limits of the current framework.

The challenges of migration and security are the main purposes of the package of legislative proposals that accompanies the review of the MFF, which aims at providing additional financial means for migration and security.

Consequently, it is proposed to amend the MFF Regulation to **further increase the capacity of the Flexibility Instrument and the Emergency Aid Reserve** and to remove a number of restrictions which limit the effectiveness of instruments allowing for the reuse of margins left available from previous financial years. Furthermore, it is proposed to **create a European Union Crisis Reserve** to finance the response to crises, such as the current migration crisis, as well as events with serious humanitarian and security implications. This Reserve would be funded by decommitted appropriations from all MFF headings. It would not increase the overall ceilings for commitments and payments of the multi-annual financial framework.

2) Dealing with the financial crisis: closing the investment gap left behind by the financial and economic crisis as well as promoting employment, in particular youth employment, remains a key challenge for the Union. The Commission has identified a number of successful programmes and instruments which it proposes to reinforce with additional financial means, these being:

- the European Fund for Strategic Investments;
- Horizon 2020;
- the Connecting Europe Facility;
- Erasmus+;
- COSME;
- the Youth Employment Initiative.

Initiatives are also envisaged in the digital area - one of the top 10 priorities of this Commission.

Improved financial rules: in consultation with stakeholders, the Commission has assessed how the measures aimed at simplifying the implementation of EU funds have worked in practice and has identified room for further improvements. On that basis, it is tabling a revision of the general financial rules accompanied by corresponding changes to the sectorial financial rules.

It emerges from an in-depth review of the European budget that the current payment ceiling would be just sufficient: after an accumulation of an unprecedented backlog in 2014, the delayed implementation of the European Structural and Investment Funds would leave large payment margins in 2016 and 2017 before payment needs increase sharply towards the end of the period.

The mid-term review is accompanied by the following legislative proposals:

- amendment of the Decision on the mobilisation of the contingency margin in order to offset earlier than expected the EUR 2.8 billion of the contingency margin mobilised in 2014 and to confirm that payments related to special instruments are entered in the budget over and above the ceilings;

- a proposal for amending the multiannual financial framework for the years 2014-2020, and corresponding adjustment of the Interinstitutional Agreement on budgetary discipline, on cooperation and budgetary matters and on sound financial management;
- a proposal for amending Decision No 2015/435 on the mobilisation of the Contingency Margin;
- a proposal to simplify financial rules under the Financial Regulation and relevant basic acts;
- a proposal for amending the EFSI Regulation (2015/1017) with the purpose of extending the European Fund for Strategic Investments;
- under the External Investment Plan: a proposal for a Regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund; a proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC, Euratom) No 480/2009 establishing a Guarantee Fund for external actions; and a proposal for a decision of the European Parliament and of the Council amending Decision No 466/2014/EU granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union;

- under the Telecommunication package: a proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1316/2013 and (EU) No 283/2014 as regards the promotion of Internet connectivity in local communities.

The Commission calls upon Council and Parliament to ensure a very swift adoption of these proposals and their financing.