

The Multiannual Financial Framework *2014-2020*

European Commission, 30 June 2011

Overall figures

Commitments	€ 1025 Billion	1,05% of GNI
Payments	€ 972 Billion	1,00% of GNI

Commission's proposal*

Multiannual Financial Framework (EU 27)

(EUR million - 2011 prices)

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
1. Smart and Inclusive Growth	64 706	66 588	68 138	69 957	71 594	73 763	76 163	490 909
of which: Economic, social and territorial cohesion	50 468	51 543	52 542	53 609	54 798	55 955	57 105	376 020
2. Sustainable Growth: Natural Resources	57 833	56 759	55 707	54 670	53 660	52 665	51 633	382 927
of which: Market related expenditure and direct payments	42 691	41 854	41 034	40 229	39 440	38 667	37 909	281 825
3. Security and citizenship	2 532	2 571	2 609	2 648	2 687	2 726	2 763	18 535
4. Global Europe	9 400	9 645	9 845	9 960	10 150	10 380	10 620	70 000
5. Administration	8 542	8 679	8 796	8 943	9 073	9 225	9 371	62 629
of which: Administrative expenditure of the institutions	6 967	7 039	7 108	7 191	7 288	7 385	7 485	50 464
TOTAL COMMITMENT APPROPRIATIONS	143 013	144 241	145 094	146 179	147 164	148 758	150 551	1 025 000
as a percentage of GNI	1.08%	1.07%	1.06%	1.06%	1.05%	1.04%	1.03%	1.05%
TOTAL PAYMENT APPROPRIATIONS	133 851	141 272	135 506	138 384	142 228	142 894	137 966	972 102
as a percentage of GNI	1.01%	1.05%	0.99%	1.00%	1.01%	1.00%	0.94%	1.00%
Margin available	0.22%	0.18%	0.24%	0.23%	0.22%	0.23%	0.29%	0.23%
Own Resources Ceiling as a percentage of GNI	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%

*29/06/2011 - COM(2011)500 final, page 5 http://ec.europa.eu/budget/library/biblio/documents/fin_fwk1420/MFF_COM-2011-500_Part_I_en.pdf

Ambitious, but realistic...

COMPARISON MFF 2007-13/2014-20	EUR billion in 2011 prices		Difference (in %)
	2007-2013	2014-2020	
1. Smart and Inclusive Growth	445,5	490,9	10,2%
<i>Of which Competitiveness</i>	77,8	114,9	47,7%
<i>Of which infrastructure</i>	12,9	40,0	209,7%
<i>Of which cohesion policy</i>	354,8	336,0	-5,3%
2. Sustainable Growth: natural resources	421,1	382,9	-9,1%
<i>Of which Market related expenditure and direct payments</i>	322,0	281,8	-12,5%
3. Security and Citizenship	12,4	18,5	49,9%
<i>of which Freedom, Security and Justice</i>	7,6	11,6	53,0%
<i>of Citizenship</i>	4,8	6,9	44,9%
4. Global Europe	56,8	70,0	23,2%
5. Administration (including pensions and European schools)	56,9	62,6	10,1%
<i>Of which administrative expenditure of EU institutions</i>	48,4	50,5	4,2%
6. Compensations	0,9		
Total appropriations	993,6	1.025,0	3,2%
In % of EU-27 GNI	1,12%	1,05%	

Commission's proposal*

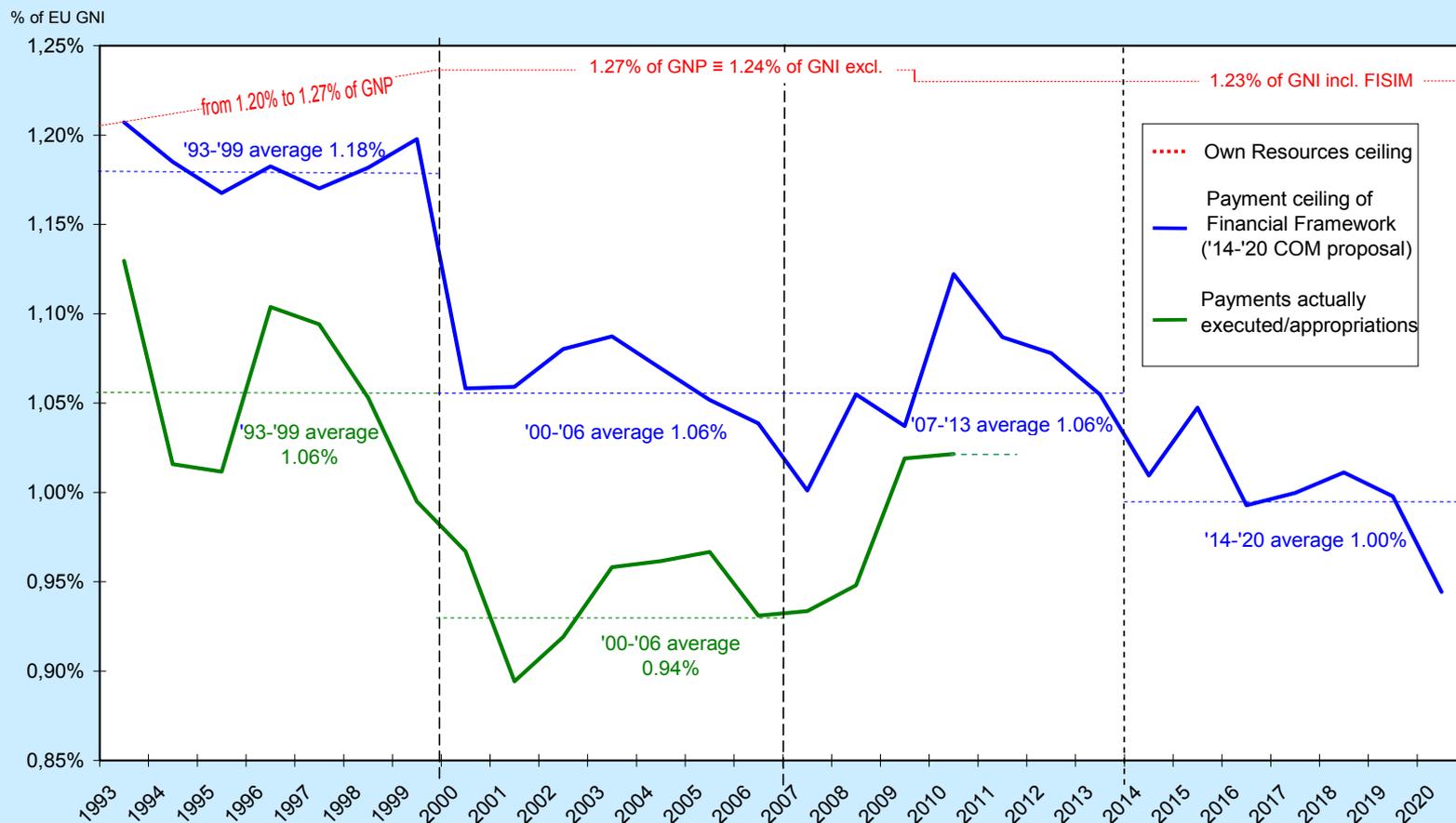
Outside the Multiannual Financial Framework (EU 27)

EUR million – 2011 prices

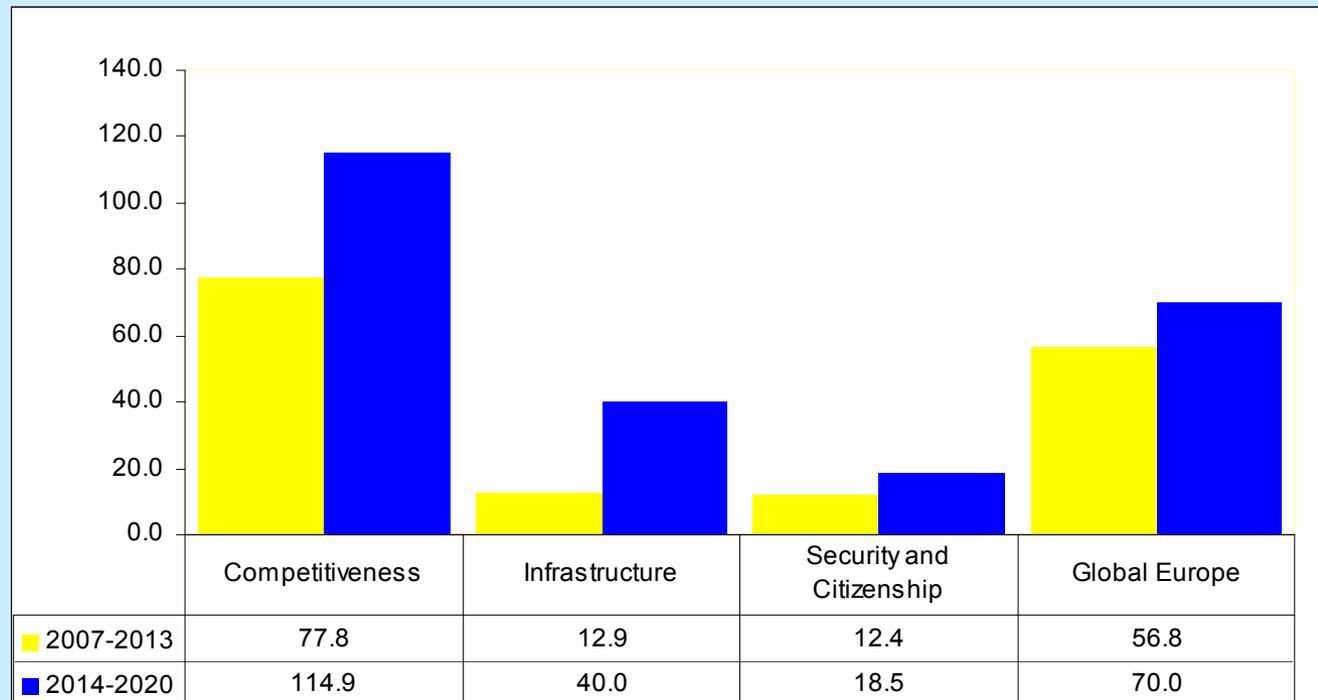
OUTSIDE THE MFF	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
Emergency Aid Reserve	350	350	350	350	350	350	350	2 450
European Globalisation Fund	429	429	429	429	429	429	429	3 000
Solidarity Fund	1 000	1 000	1 000	1 000	1 000	1 000	1 000	7 000
Flexibility instrument	500	500	500	500	500	500	500	3 500
Reserve for crises in the agricultural sector	500	500	500	500	500	500	500	3 500
ITER	886	624	299	291	261	232	114	2 707
GMES	834	834	834	834	834	834	834	5 841
EDF ACP	3 271	4 300	4 348	4 407	4 475	4 554	4 644	29 998
EDF OCT	46	46	46	46	46	46	46	321
Global Climate and Biodiversity Fund	p.m.							
TOTAL OUTSIDE THE MFF	7 815	8 583	8 306	8 357	8 395	8 445	8 416	58 316
as a percentage of GNI	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%

*29/06/2011 - COM(2011)500 final, page 5 http://ec.europa.eu/budget/library/biblio/documents/fin_fwk1420/MFF_COM-2011-500_Part_I_en.pdf

Decreasing payment share



Strengthened policies



EUR billion
commitment appropriations

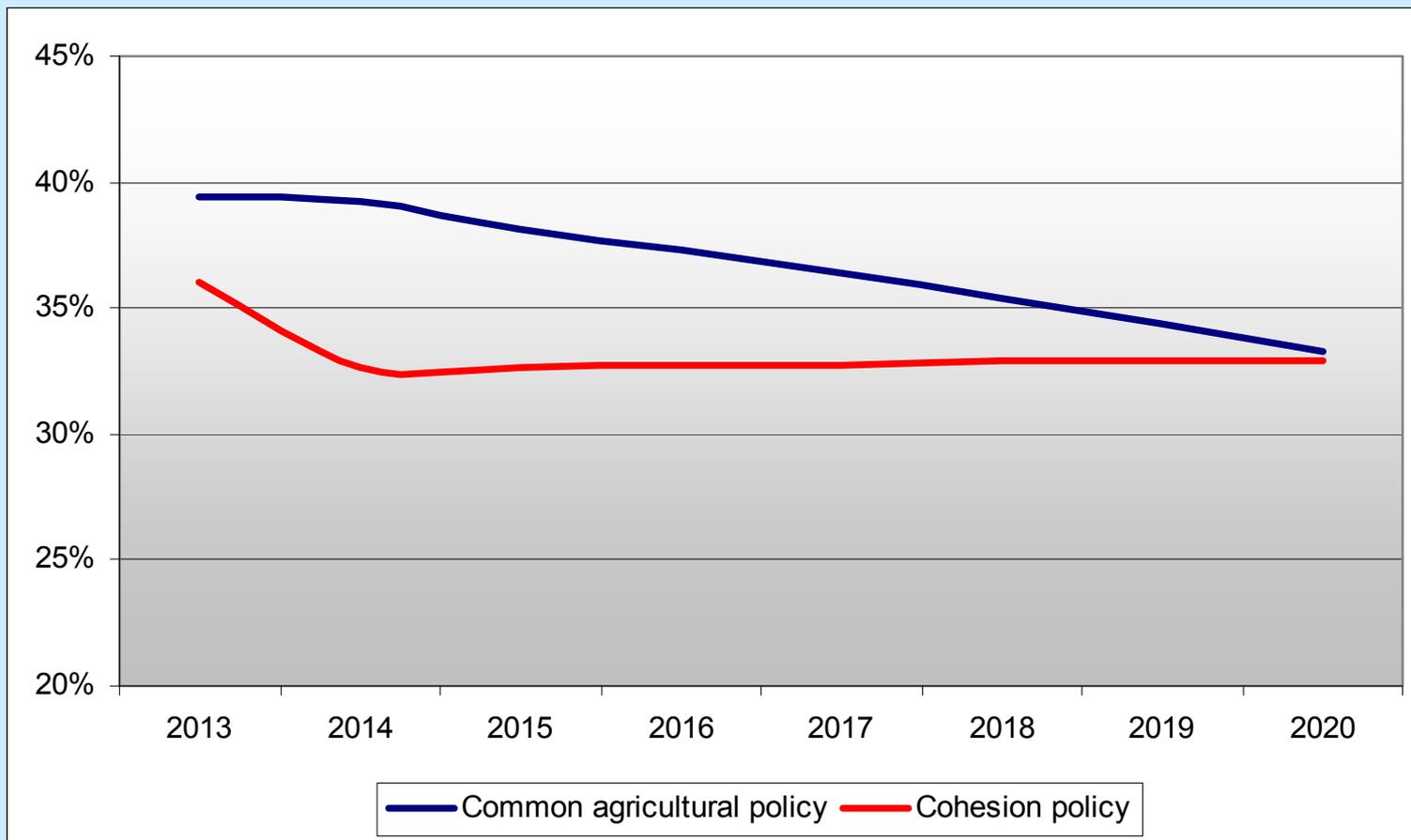
Connecting Europe

Connecting Europe Facility
40 EUR billion
(+ 10 EUR billion earmarked
under Cohesion Fund)

- **Energy, transport and digital networks**
- **Cross-border** multi-country investments to the benefit of internal market
- Strong **co-ordination with cohesion policy**
- Proposed use of **EU project bonds**



Development of the Common Agricultural Policy and Cohesion policy share in the EU budget



Cohesion policy

- Common strategic framework for all structural funds
- Investment partnership contracts with Member States
- Stronger conditionality
- Concentration on poorer and weakest regions
- Thematic concentration
- Transition regions

Cohesion policy proposal

- Three categories of regions
 - Less developed regions (GDP per capita < 75% of EU average)
 - Transition regions (GDP per capita between 75% and 90%)
 - More developed regions (GDP per capita > 90%)
- Cohesion Fund for Member States with GNI per capita <90%
- Territorial cooperation (3 strands: Cross-border Cooperation, transnational, interregional)

Multiannual Financial Framework 2014-2020

	EUR billion 2011 prices
Cohesion Fund*	68.7
Less developed regions	162.6
Transition regions	39.0
More developed regions	53.1
Cooperation	11.7
Extra allocation for outermost and northern regions	0.9
Total **	336.0

*Cohesion Fund will earmark 10 billion EUR for the new Connecting Europe Facility

** ESF minimum share: 25%

Agriculture

- Declining share in the EU budget until 2020
- Greening : direct aid 30 % linked to environment measures
- Progressive convergence of direct support towards EU average:
 - Close 33% of the gap with 90% of EU average
 - Financed by all Member States above the average
- Market measures: Emergency Mechanism
- European Globalisation Fund to help farmers adapt to globalisation

Administrative expenditure

- **Budget under restraint**
 - Staff reduction up to 5%
 - Efficiency gains (increase working hours to 40 a week)
 - Reviewing certain benefits in line with similar trends in Member States
- Administrative expenditure discipline **for all EU institutions**
- Formal proposals will follow after consultations with staff unions.

A new own resources system

- **Commission proposal :**
 - End current **statistical** VAT own resource as of 2014
 - Introduce 2 new own resources:
 - **Financial Transaction Tax**
 - **New VAT resource**
 - Radically simplify the system of corrections

Financial Transaction Tax

- Introduction by 1/1/2018 at the latest
- Maximum tax rate to be set at the moment of legislative proposal (Autumn 2011)

Advantages

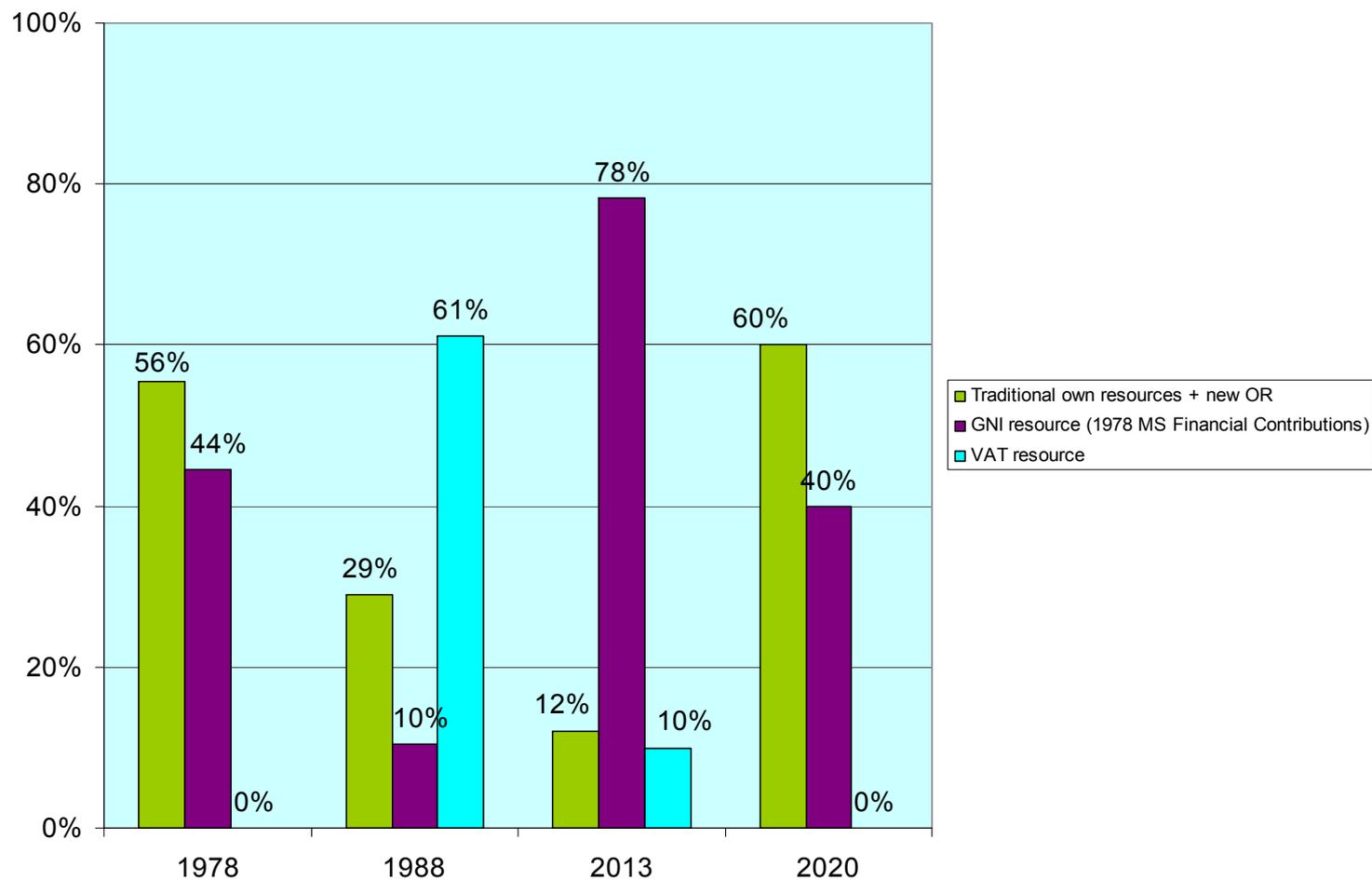
- Reduces Member States' contributions to EU budget
- Avoid fragmentation of the Single Market
- Already in place in 11 Member States
- Discourage excessive risk taking and excessive remuneration
- make financial sector contribute to cost of financial/economic crisis
- Eurobarometer: 61% of Europeans in favour
- Financial transaction tax more efficient at EU level

New VAT Resource

- **Commission proposal**
 - New VAT resource from 1/1/2018 at the latest
 - 1 % point of standard VAT rate in all member states
- **Advantages**
 - Link EU VAT policy and EU budget
 - Part of wider revision of VAT systems: fight against VAT fraud and reinforce harmonisation of VAT systems

New structure of own resources

Share of Own Resources Types in Total Own Resources Payments



Correction mechanisms

- **Commission proposal**

- Replace all corrections mechanisms by a system of fixed annual lump sums for 2014-2020
- Based on **Fontainebleau principle (1984)**:
"any member State sustaining a budgetary burden which is excessive in relation to its relative prosperity may benefit from a correction at the appropriate time."

- **Advantages**

- Fairness - equal treatment of the Member States
- Simplicity and transparency
- Lump-sum correction mechanism to correspond to MFF duration

Correction mechanisms

LUMPSUMS ADJUSTED FOR RELATIVE PROSPERITY	
<i>(in million of euro / in current prices)</i>	Average annual lumpsum 2014-2020
	GROSS AMOUNT
DE	2500
NL	1050
SE	350
UK	3600
TOTAL	7500

What next?

- 2011: Preparatory work under Polish presidency
- June 2012 (Danish presidency) : European Council level
- December 2012 (Cypriot presidency): Agreement on new MFF regulation between European Parliament and Council
- 2013: Adoption by co-decision of new legal bases