

The Multiannual Financial Framework 2014-2020

A budget for Europe 2020

Overview of the presentation

1. Overall volume
2. Overview of expenditure side
3. Own resources and corrections

Commitments versus Payments

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

Financial Framework table

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	64.696	66.580	68.133	69.956	71.596	73.768	76.179	490.908
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	57.386	56.527	55.702	54.861	53.837	52.829	51.784	382.927
of which: Market related expenditure and direct payments	42.244	41.623	41.029	40.420	39.618	38.831	38.060	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	142.556	144.002	145.085	146.368	147.344	148.928	150.718	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	141.275	135.510	138.387	142.234	142.900	137.975	972.133
as a percentage of GNI	1,01%	1,05%	0,99%	1,00%	1,01%	1,00%	0,94%	1,00%

What does constant in real terms mean?

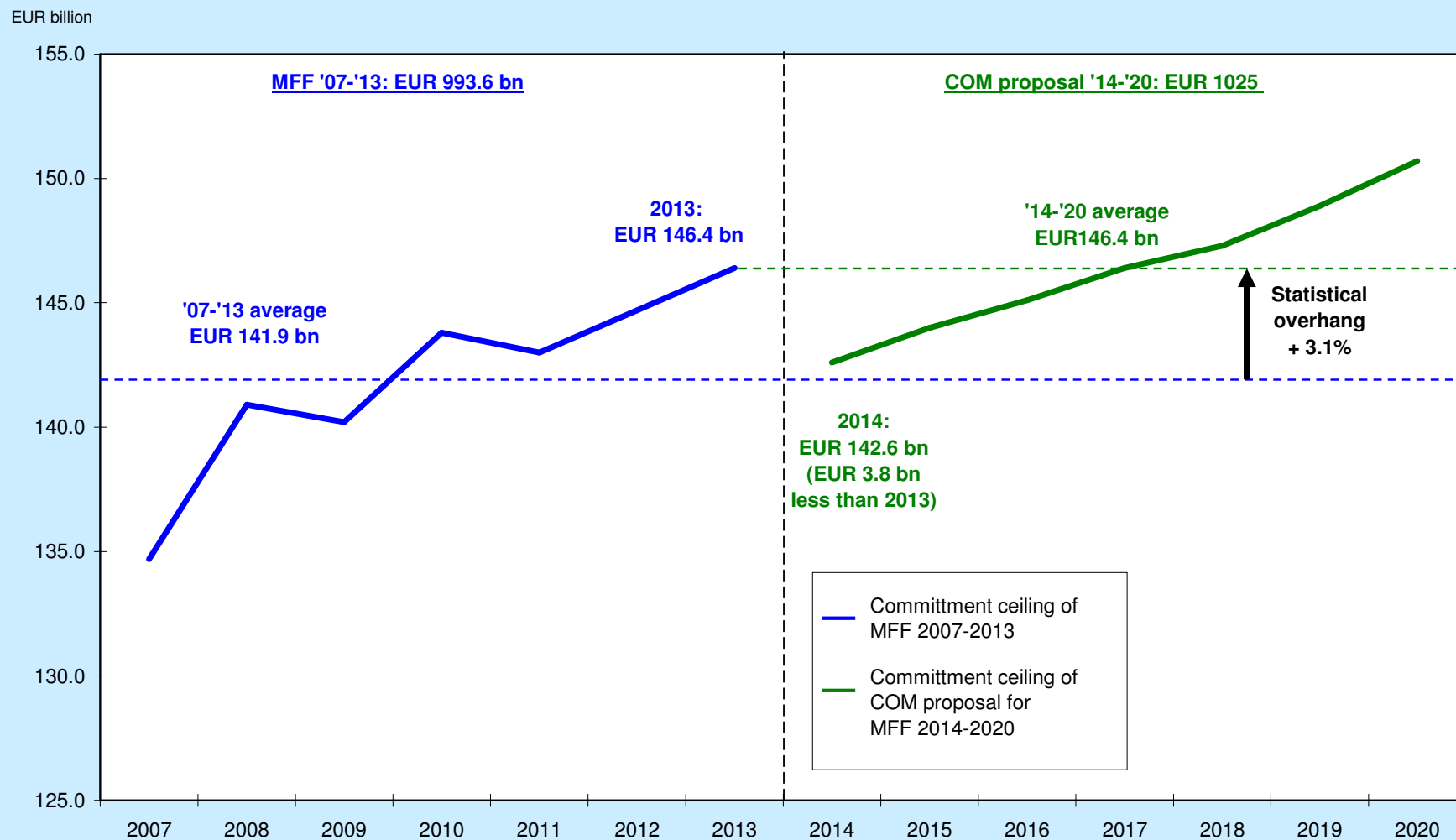
MFF Commitments:

- Level of 2013 x 7 years
 - = € 1025 Billion in 2011 prices
 - = 1.05 % of GNI
- Level of 2007-2013
 - = € 994 Billion in 2011 prices
 - = 1.12 % of GNI

MFF Payments

- € 972 Billion = 1.00 % of GNI

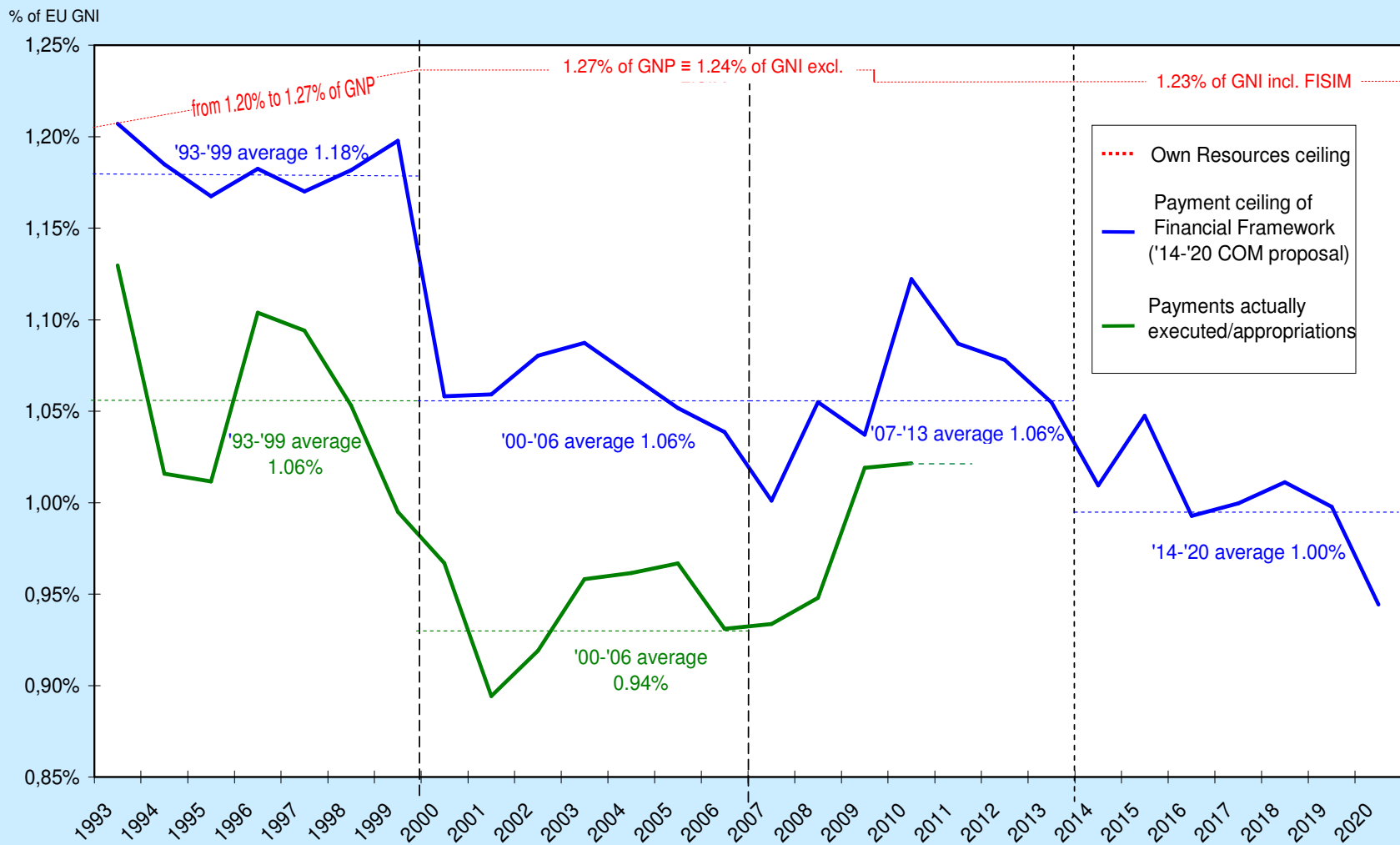
What does constant in real terms mean?



What does constant in real terms mean?

2011 prices	2007-2013	2013	2013 * 7	2014-2020		Change (in %)
						14-20 vs. 07-13
Commitments	994	146	1.025	1.025	<i>in billion of euro</i>	3,2%
	<i>1,12%</i>	<i>1,12%</i>		<i>1,05%</i>	<i>in % of GNI</i>	
Payments	943	138	964	972	<i>in billion of euro</i>	3,1%
	<i>1,06%</i>	<i>1,05%</i>		<i>1,00%</i>	<i>in % of GNI</i>	

Decreasing payment share



Figures Outside the Multi-Annual Financial Framework

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.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	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%

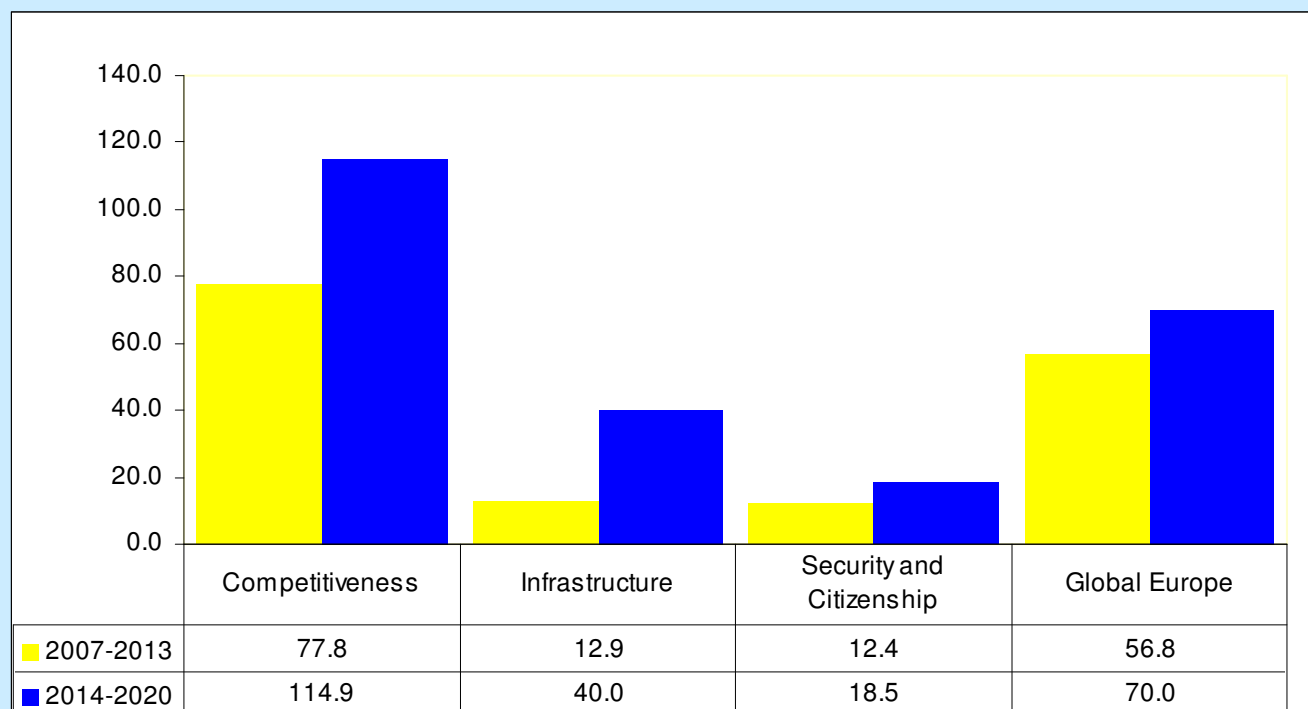
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Ambitious, but realistic...

COMPARISON MFF 2007-13/2014-20	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%	

Despite restraint - significant re-distribution in key policy areas



In billion €

Connecting Europe

- 1)  Baltic – Adriatic Corridor
- 2)  Warsaw – Berlin – Amsterdam Corridor
- 3)  Mediterranean Corridor
- 4)  Hamburg – Lefkosia Corridor
- 5)  Helsinki – Valletta Corridor
- 6)  Genova – Rotterdam Corridor
- 7)  Atlantic Corridor
- 8)  Dublin – London – Paris – Brussels Corridor
- 9)  Antwerp – Lyon – Basel Corridor
- 10)  Seine – Danube Corridor



Cohesion budget proposal

	billion EUR
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
Connecting Europe facility for transport, energy and ICT	40.0

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

** ESF minimum share: 25%

Cohesion

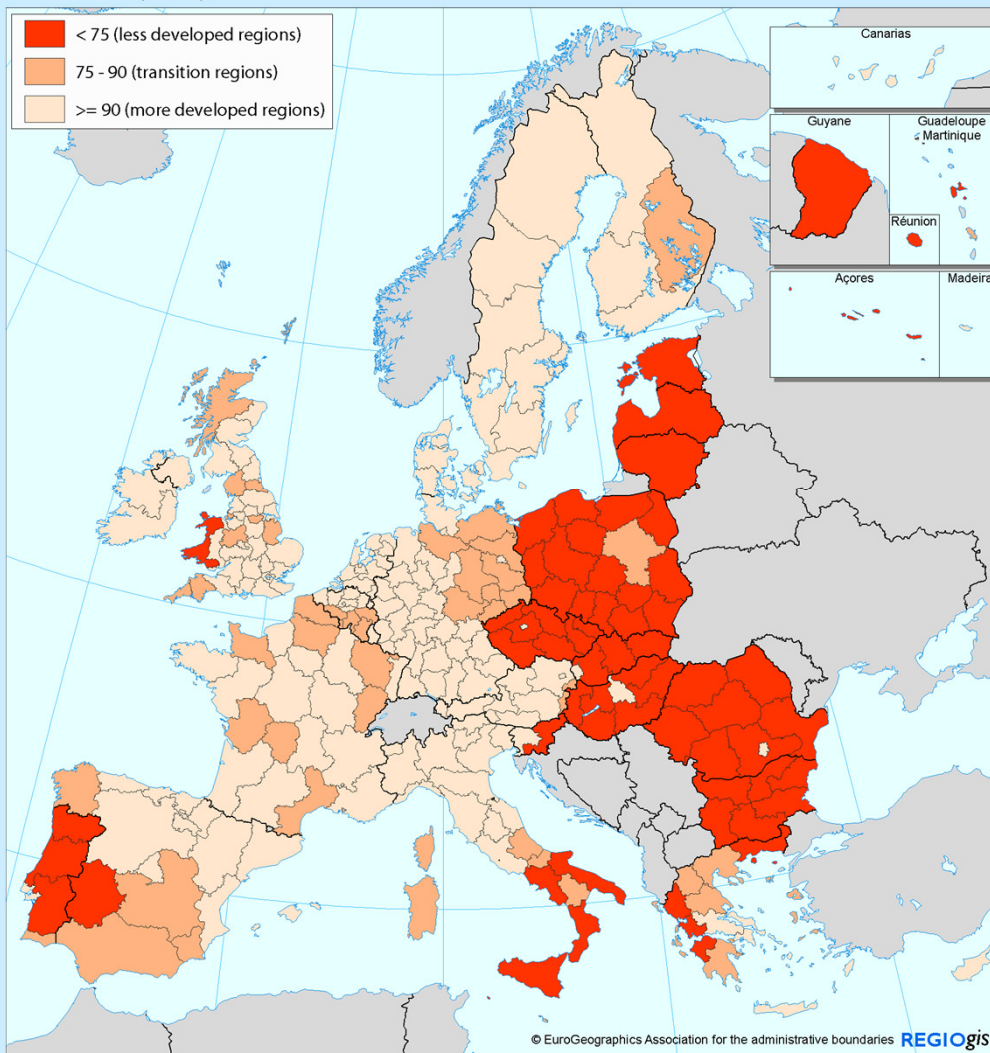
New architecture of cohesion policy

- **Three categories of regions**
 - **Less developed regions (GDP per capita < 75%)**
 - **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: CBC, transnational, interregional)**

Cohesion

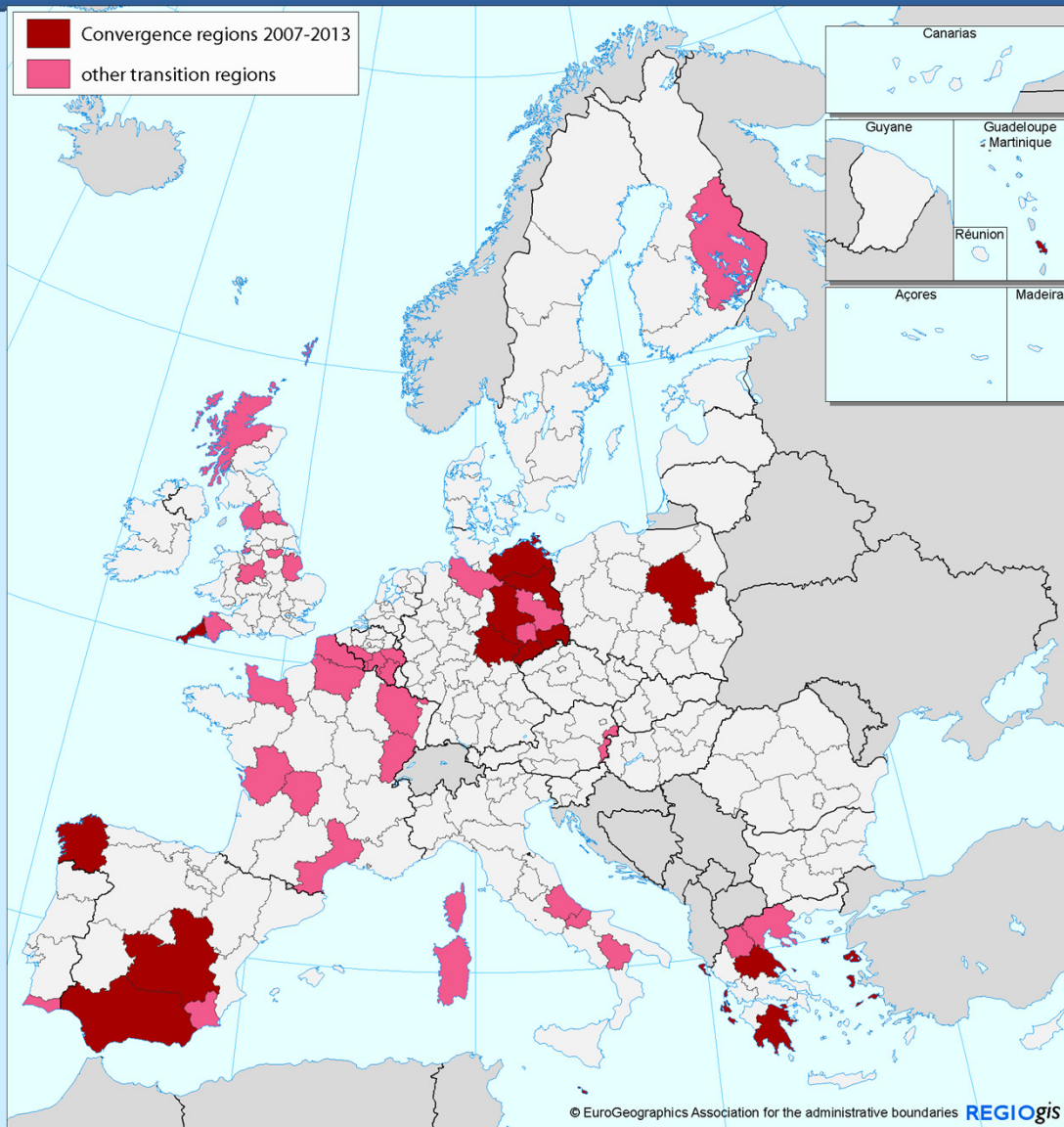
Eligibility simulation 2014-2020

GDP/head (PPS), index EU27=100



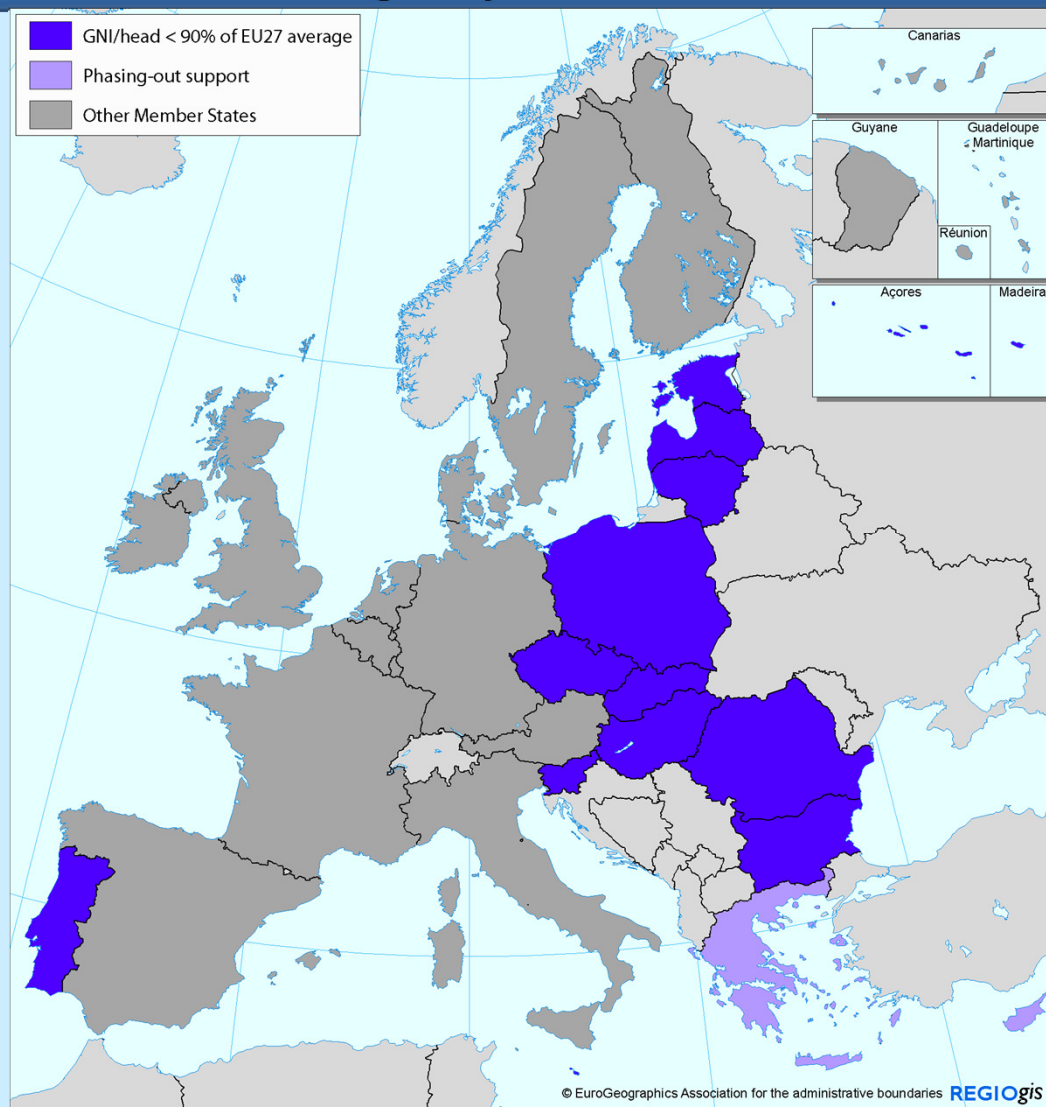
Cohesion

Transition regions, 2014-2020



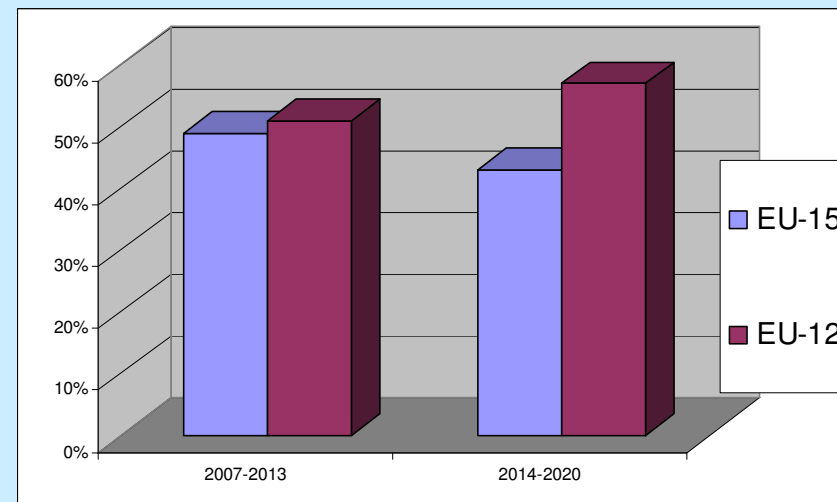
Cohesion

Cohesion Fund eligibility simulation 2014-2020



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



Cohesion

Share of budget	2007-2013	2014-2020
- EU15	49%	43%
- EU12	51%	57%

Ratio of expenditure*	2007-2013	2014-2020
- EU15/EU12	1/3,8	1/5,1

*2014-2020: For each € spent in the EU15 more than 5 € are spent in the EU12

Agriculture

- Declining share in the EU budget until 2020
- Greening of CAP - direct aid 30 % linked to environment measures
- Progressive convergence 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

Change of Direct Payments between 2013 and 2020

	€/ha 2013	€/ha 2020	Change
Highest increase of all Member States	87	144	66%
Highest reduction of all Member States	462	431	-7%

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**

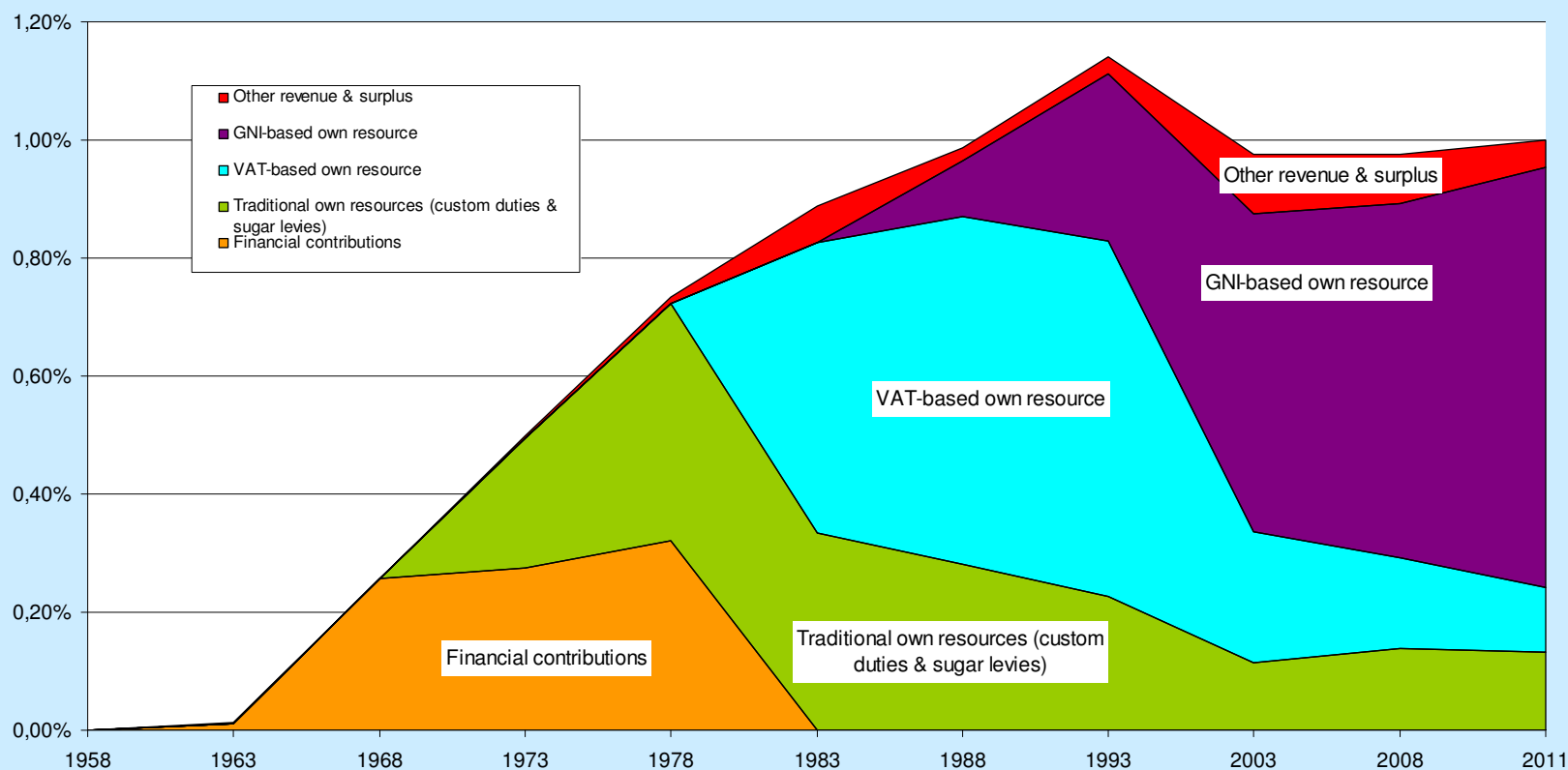
* Excluding Pensions and European Schools

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Own resources past changes

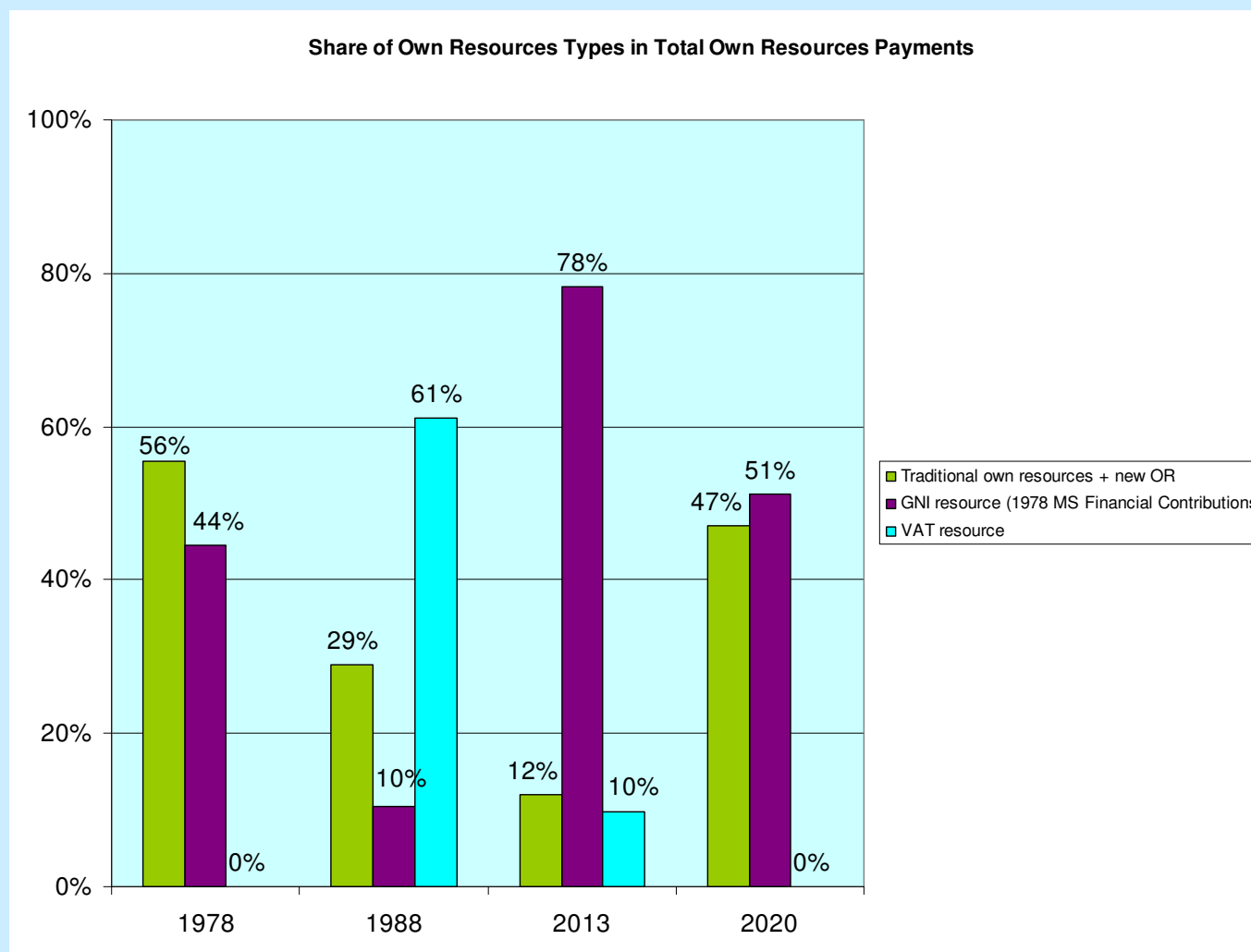
EU budget revenue
1958-2011
(in % of EU GNI)



A new own resources system

- **Commission proposal :**
 - End **statistical** VAT own resource as of 2014
 - Introduce 2 new own resources
 - Financial Transaction Tax
 - VAT resource
 - Radically simplify the system of corrections
- **In comparison with current system:**
 - Simpler
 - Fairer
 - More transparent

Envisaged evolution of own resources structure



EU taxation of financial sector

- **Commission proposal**
 - Introduce Financial transaction tax from 1/1/2018 at the latest.
 - Maximum tax rate to be set at the moment of legislative proposal (Autumn 2011)
- **Advantages**
 - Contributes to budgetary consolidation of Member States by reducing their contributions to the EU budget
 - Wide popular support. Eurobarometer: 61% in favour
 - EP resolutions
 - Financial transaction tax more efficient at EU level
 - Centralised collection system possible

VAT

- **Commission proposal**
 - Maximum rate in OR decision: 2%
 - New VAT resource from 1/1/2018 at the latest. Effective rate: 1 %
- **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

Estimated Impact on own resources structure	DB 2012		2020	
	bil. €	% of OR	bil. €	% of OR
Traditional OR	19,3	14,7	30,7	18,9
Existing national contributions	111,8	85,3	65,6	40,3
of which				
- VAT-based OR	14,5	11,1	-	-
- GNI-based OR	97,3	74,2	65,6	40,3
New OR			66,4	40,8
of which				
- VAT Resource			29,4	18,1
- EU financial transaction tax			37,0	22,7
Total own resources	131,1	100,0	162,7	100,0

Correction mechanisms

- **Commission proposal**

- Replace all corrections mechanisms by a system of fixed annual lump sums for 2014-2020
- Based on **Fontainebleau principle**:
"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
- Avoids perverse incentives for expenditure

Corrections

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

Way ahead

- **Timing of negotiations:**
 - 2011: Preparatory work under PL presidency
 - June 2012 (DK pres) : European Council level
 - December 2012 (CY pres): Agreement on new MFF regulation between European Parliament and Council
 - 2013: Adoption by co-decision of new legal bases

Further info on:

- **Dedicated website:**

<http://ec.europa.eu/budget/reform/>