



European Commission
proposal for the
2014-2020 Multiannual
Financial Framework

EUROPEAN COMMISSION



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More information on the European Union is available on the Internet (<http://europa.eu>).

Cataloguing data can be found at the end of this publication.

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European Commission proposal for the 2014-2020 Multiannual Financial Framework

Basic guide to the multiannual financial framework

The multiannual financial framework (MFF, formerly 'financial perspectives') is not the budget of the EU for seven years. It is a mechanism for ensuring that EU spending is predictable and at the same time subject to strict budgetary discipline. It defines the maximum amounts ('ceilings') available for each major spending area ('heading') of the Union's budget. Within that framework, the European Parliament and the Council, which are the 'budgetary authority' of the Union, have to agree each year on the budget for the subsequent year. In reality, the annual budget adopted always remains below the overall ceiling of the MFF.

The MFF de facto **sets political priorities** for future years and constitutes therefore a political as well as budgetary framework ('in which areas should the EU invest more or less in the future?').

Detailed proposals for various policies (cohesion, agriculture, research and innovation, education, etc.) for the next period will be adopted by the Commission before the end of 2011.

The current MFF period started in 2007 and will end in 2013.

Comparison between the 2007-2013 and 2014-2020 multiannual financial frameworks

(in 2011 prices)

2011 prices		2007-2013	2013	2014-2020
Commitment appropriations	in EUR billion	993.6	146.6	1033.0
	% of GNI	1.12%	1.15%	1.08%
Payment appropriations	in EUR billion	942.8	138.3	988.0
	% of GNI	1.06%	1.08%	1.03%

Treaty on the Functioning of the European Union

CHAPTER 2

THE MULTIANNUAL FINANCIAL FRAMEWORK

Article 312

1. The multiannual financial framework shall ensure that Union expenditure develops in an orderly manner and within the limits of its own resources. It shall be established for a period of at least five years.
The annual budget of the Union shall comply with the multiannual financial framework.
2. The Council, acting in accordance with a special legislative procedure, shall adopt a regulation laying down the multiannual financial framework. The Council shall act unanimously after obtaining the consent of the European Parliament, which shall be given by a majority of its component members.
The European Council may, unanimously, adopt a decision authorising the Council to act by a qualified majority when adopting the regulation referred to in the first subparagraph.
3. The financial framework shall determine the amounts of the annual ceilings on commitment appropriations by category of expenditure and of the annual ceiling on payment appropriations. The categories of expenditure, limited in number, shall correspond to the Union's major sectors of activity.
The financial framework shall lay down any other provisions required for the annual budgetary procedure to run smoothly.
4. Where no Council regulation determining a new financial framework has been adopted by the end of the previous financial framework, the ceilings and other provisions corresponding to the last year of that framework shall be extended until such time as that act is adopted.
5. Throughout the procedure leading to the adoption of the financial framework, the European Parliament, the Council and the Commission shall take any measure necessary to facilitate its adoption.

2014-2020 Multiannual Financial Framework

Overall figures in the Commission's proposal

(EUR million-2011 prices)

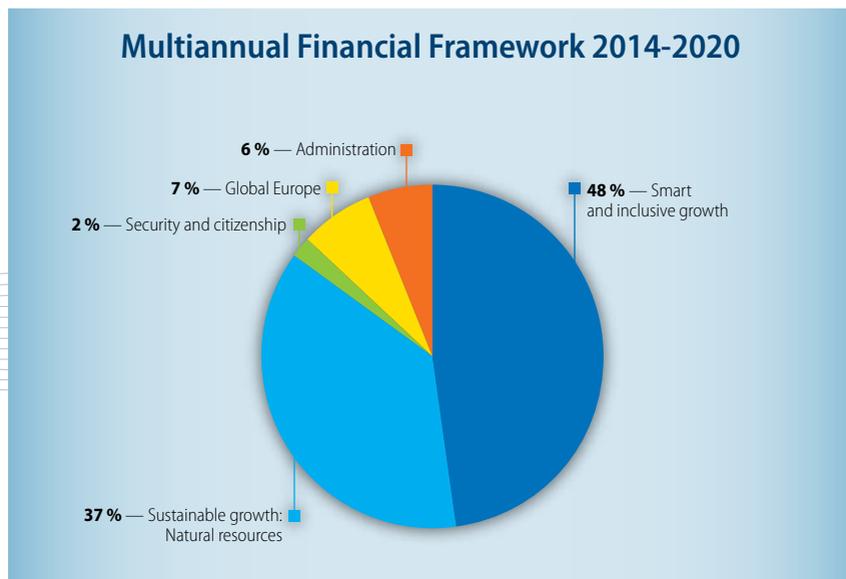
Commitment appropriations	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
1. Smart and inclusive growth	64 769	67 015	68 853	70 745	72 316	74 386	76 679	494 763
of which: Economic, social and territorial cohesion	50 464	51 897	53 177	54 307	55 423	56 474	57 501	379 243
2. Sustainable growth: Natural resources	57 845	57 005	56 190	55 357	54 357	53 371	52 348	386 472
of which: Market-related expenditure and direct payments	42 363	41 756	41 178	40 582	39 810	39 052	38 309	283 051
3. Security and citizenship	2 620	2 601	2 640	2 679	2 718	2 757	2 794	18 809
4. Global Europe	9 400	9 645	9 845	9 960	10 150	10 380	10 620	70 000
5. Administration	8 622	8 755	8 872	9 019	9 149	9 301	9 447	63 165
of which: Administrative expenditure of the institutions	7 047	7 115	7 184	7 267	7 364	7 461	7 561	51 000
6. Compensations	27	0	0	0	0	0	0	27
TOTAL COMMITMENT APPROPRIATIONS	143 282	145 021	146 400	147 759	148 690	150 195	151 888	1 033 235
as a percentage of GNI	1.10 %	1.09 %	1.08 %	1.08 %	1.07 %	1.06 %	1.06 %	1.08 %
TOTAL PAYMENT APPROPRIATIONS	133 976	141 175	144 126	138 776	146 870	144 321	138 356	987 599
as a percentage of GNI	1.03 %	1.06 %	1.06 %	1.01 %	1.06 %	1.02 %	0.96 %	1.03 %

The overall commitment ceiling proposed by the Commission for the 2014-2020 period is EUR 1 033.2 billion. This **amount equals that of the last year of the current MFF (2013) multiplied by 7 (years)**. It also amounts to 1.08 % of expected EU gross national income (GNI) compared to 1.12 % for the current MFF. The ceiling for payments equals 1.03 % of GNI (1.06 % for 2007-2013).

These figures do not include **a number of flexibility instruments which are traditionally outside the MFF because they are not 'programmable'** (Emergency Aid Reserve, European Globalisation Adjustment Fund, Solidarity Fund, Flexibility Instrument). However, if in case of emergency the budgetary authority decides to activate additional funds, they are entered into the annual EU budget. In addition the European Development Fund is financed outside the budget due to a different financing key.

The Commission is also proposing to take **ITER** (International Thermonuclear Experimental Reactor) and **GMES** (Global Monitoring for Environment and Security) out of the MFF, because their large-scale dimension, the technological challenges they imply and the fact that they do not concern only EU actors would bring uncertainties to the EU budget.

All expenditure **outside the MFF** could amount to max. 0.06% of the EU GNI.



What's new for growth, jobs and cohesion

The Connecting Europe Facility is a brand new scheme to fund pre-identified transport, energy and ICT priority infrastructures of pan-European interest. It will be centrally managed by the European Commission and will be funded (EUR 40 billion + EUR 10 billion from cohesion policy) from a new section of the budget. Co-financing rates from the EU budget will be higher when the investments take place in Europe's poorer regions.

Innovative financing tools are proposed to speed up and secure greater investment than could be achieved only through public funding, in particular **EU project bonds**.

The Commission proposes to bring the European Regional Development Fund, the European Social Fund and the Cohesion Fund together under a **common strategic framework**, which will also cover the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund.

The Commission proposes to **conclude partnership contracts** with each Member State in order to achieve a more results-oriented programming. These partnership contracts may also include macroeconomic conditions to improve the coordination of Member States' economic policies.

Cohesion funding will continue to be concentrated on the less developed regions and Member States. However, in order to allow a smooth transition from regions 'phasing out' from the convergence objective and to put regions of a similar level of prosperity on an equal footing, **a new category of transition regions** (whose GDP per capita is between 75 % and 90 % of the EU average) will be established.

Cohesion funding will be focused on investments which contribute to achieving the quantified targets set out in the Europe 2020 strategy supported by specific **conditionality provisions**. Conditionality will take the form both of ex ante conditions that must be in place before funds are disbursed and ex post conditions that will make the release of additional funds contingent on the achievement of pre-specified results.

The priorities and conditions for funding, including a system to monitor progress in achieving the targets set, will be part of the partnership contracts to be agreed between the Commission and each Member State.

The European Social Fund will provide structural actions for economic, social and territorial cohesion, through **four main investment poles**: employment, education, social inclusion and improving public administration.

Implementation will also be simplified in order to reduce the administrative burden on Member States.

The **European Globalisation Adjustment Fund** will continue to provide support to workers made redundant following a major structural change. In addition, it will **increase its scope** to soften the impact of new trade agreements on farmers.

What's new in research and innovation

The three main funding schemes for research and development (Competitiveness and innovation programme, seventh framework programme and the European Institute of Innovation and Technology) will be brought together under **Horizon 2020** - a common strategic framework in order to eliminate fragmentation and avoid duplication.

Funding schemes will be standardised and simplified. Likewise, there will be a **single set of rules** for participation, audit, support structures, dissemination of results and reimbursements, across all funding schemes.

On the financing side, innovative financial instruments will help to leverage **private investments** such as public-private partnerships.

What's new for agriculture and the environment

Greening of 30 % of direct payments to farmers: To ensure that the common agricultural policy (CAP) helps the EU to deliver on its environmental and climate action objectives, 30 % of direct payments will be made conditional on respect of a range of environmental best practices, over and above existing cross-compliance obligations.

Convergence of payments: the levels of direct support per hectare will be progressively adjusted (while taking account of the differences that still exist in wage levels and input costs) in order to ensure a more equal distribution of direct payments among European farmers. By 2020, Member States with direct payments below 90 % of the EU average should close one third of the gap between their current level and 90 % of the EU average. This convergence will be financed proportionally by Member States with direct payments above the EU average.

The level of direct payments will be **capped** by limiting the basic layer of direct income support that large agricultural holdings may receive, while taking account of the economies of scale of larger structures and the direct employment these structures generate. The proposal will allow savings to be recycled into the budgetary allocation for rural development, and thus maintained within the national envelopes of the Member States in which they originate.

The allocation of **rural development** funds will be based on more objective criteria and better targeted to the aims of the policy. This will ensure a fairer treatment of farmers performing the same activities.

What's new in environment and climate action

Environmental policy priorities and climate actions will be 'mainstreamed' into all the major EU funding instruments, including cohesion, agriculture, maritime affairs and fisheries and research and innovation, as well as into external aid programmes.

The objective is to **increase the proportion of climate - related expenditure to at least 20 %**, with contributions from different policy fields subject to impact assessment evidence. This approach will also help to avoid a proliferation of programmes and to minimise the administrative burden.

The **LIFE+ programme** will be continued and include a larger share of climate actions. A climate action sub-programme will focus on pilot projects and small-scale demonstration projects. Integrated projects will be used, for example, to promote cross-border adaptation strategies in areas prone to flooding. The future programme should remain centrally managed, but some tasks could be delegated to an existing executive agency.

What's new for justice, health and security

The **Civil Protection Financial Instrument (CPI)** will be renewed to address the different aspects of disaster management, namely a more coherent and better-integrated response in the case of emergencies, improved preparedness to deal with disasters and innovative actions to reduce the risk of disaster.

In home affairs, **the number of funds will be reduced to two**: a Migration and Asylum Fund and an Internal Security Fund. Both funds will have an external dimension ensuring continuity of financing, starting in the EU and continuing in third countries.

The Commission also foresees a move away from annual programming towards results-driven, **multi-annual programming**, thus reducing the administrative workload of all actors involved.

The various existing justice programmes will be merged into **a 'Justice' programme and a 'Rights and citizenship' programme** in order to simplify funding arrangements and provide more coherence and consistency across the full range of activities funded.

The new **'Health for growth' programme** will be oriented towards actions with clear EU added-value, in line with the Europe 2020 priorities. The principal aim is to work with Member States to protect citizens from cross-border health threats, to increase the sustainability of health services and to improve the health of the population, whilst encouraging innovation in health.

What's new on the world stage

A **single integrated pre-accession instrument** will mirror the Structural Funds, the Cohesion Fund and the European Agricultural Fund for Rural Development (EAFRD).

Programmes in industrialised and emerging countries will be replaced by a **new partnership instrument** to support public diplomacy, common approaches and the promotion of trade and regulatory convergence.

A **pan-African instrument** will be created to support the implementation of the joint Africa-Europe strategy, focusing on cross-regional and continental activities.

What's new in EU administration

The Commission has proposed major **changes to the current Staff Regulations**. These changes notably aim at reducing the number of EU staff by 5 %, forcing all institutions, bodies and agencies to make further efficiency gains and economies, while guaranteeing an EU civil service of the highest standard.

This staff reduction should be compensated for by an **increase in working time of staff by 2.5 hours per week without compensatory wage adjustments**.

Just seven years ago, the European Commission **undertook a major reform** of its administration. This included lower recruitment salaries, the creation of a contract agent category with lower salaries, higher retirement age, lower pension rights and higher pension contributions. This reform has already saved the EU taxpayer EUR3 billion, and is expected to generate another EUR 5 billion in savings by 2020.

What's new in the financing of the EU budget

A reform of the **own resources system** is proposed, based on the elimination of the current VAT-based own resource and the creation of two new own resources, these based respectively on a part of the proceeds of a **financial transaction tax (FTT)** and the national VAT receipts. The purpose is not to increase the overall EU budget, but to contribute to national budgetary consolidation efforts by **reducing direct contributions from Member State budgets**. The changes proposed will also simplify the existing contributions to the budget and increase the link between EU policies and EU financing.

A directive on the EU FTT was proposed on 28 September 2011. The FTT will apply on the territories of the 27 Member States, but will not concern transactions involving private households or small and medium enterprises (SMEs) such as house mortgages, bank borrowing by SME, or insurance contracts. Currency exchange transactions and the raising of capital by enterprises or public bodies will not be taxed either. Such taxation already exists in 10 Member States, but action at EU level is more appropriate to avoid distortions and reduce fragmentation of the internal market.

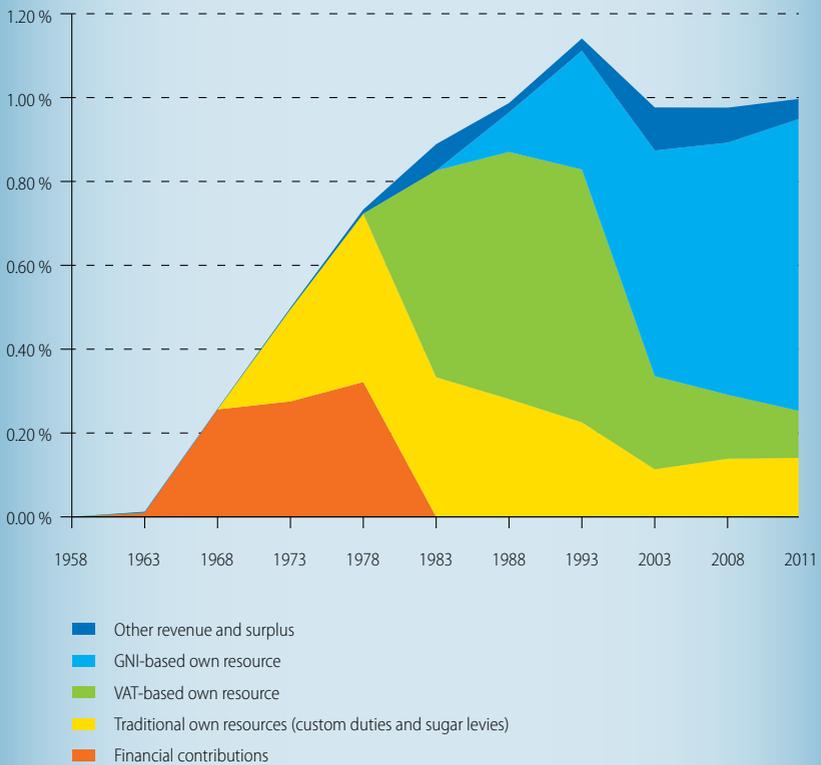
Preliminary estimates indicate that, depending on market reactions, the revenues of the tax could be EUR 57 billion on a yearly basis in the whole EU. Part of the revenue could be used as an own resource for the EU budget, thus reducing national contributions to the EU budget and leaving a lesser burden on national treasuries.

The new VAT own resource will create a genuine link between the national and the EU levels and foster additional harmonisation of national VAT systems. It will provide significant and stable receipts to the EU with limited administrative and compliance costs for national administrations and businesses.

On own resources, the Council adopts a decision by unanimity after consulting the European Parliament. This decision must be **ratified by all Member States** in accordance with their constitutional requirements.

EU budget revenue — 1958 - 2011

(in % of EU GNI)



What's new concerning correction mechanisms

A **simplification of the correction mechanisms** is also envisaged by replacing the current complicated system with a simple system of lump sum reductions to the GNI-based contributions paid by the Member States. The proposed reform is based on the Fontainebleau principles agreed in 1984, whereby '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'.

Lump sums adjusted for relative prosperity

	Annual lump sum 2014-2020 EUR million -- current prices
Germany	2 500
Netherlands	1 050
Sweden	350
United Kingdom	3 600
TOTAL	7 500

What's the way ahead

Once all legislative proposals concerning Union policies have been tabled by the Commission, the **European Parliament and the Council, being the two arms of the legislative authority, will negotiate, amend and decide on these proposals. In order to put in place the reforms and start implementation of the new programmes in time, the adoption of the MFF should occur before the end of 2012.**

Roadmap





For more information on the Commission proposals for the Multiannual Financial Framework 2014-2020:

http://ec.europa.eu/budget/reform/commission-proposals-for-the-multiannual-financial-framework-2014-2020/index_en.htm



For more information on the EU financial programming and budget:

http://ec.europa.eu/budget/index_en.cfm

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