

# *The Multiannual Financial Framework 2014-2020*

*A budget for Europe 2020*

European Commission, 29 June 2011

# EU Budget = policy in numbers

## Challenges

- Lisbon Treaty : more responsibilities
- Connect Europe better
- Social, economic disparities
- Unstable neighborhood
- Austerity climate
- Financial crisis interventions
- Response to natural disasters
- Ensure synergies to prove EU Value-added

## Responses

- European logic fully geared to Europe 2020 strategy
- Modernised budget
  - output oriented, simplification, conditionality, leveraging investment
- Limited in size, but redesigned
  - savings in some areas
  - more to areas that matter
  - multi-purpose expenditure
- Budgetary rigour, administrative limits
- New legitimacy of traditional policies

**MORE EUROPE  
FOR THE SAME MONEY!**

# Modernised budget

- Connecting Europe Facility
- Innovative financial instruments
- Key changes in research, cohesion, agriculture and external action
- Administrative rigour
- Simplification
- New Own resources
- Simplified system of corrections

# What does constant in real terms mean?

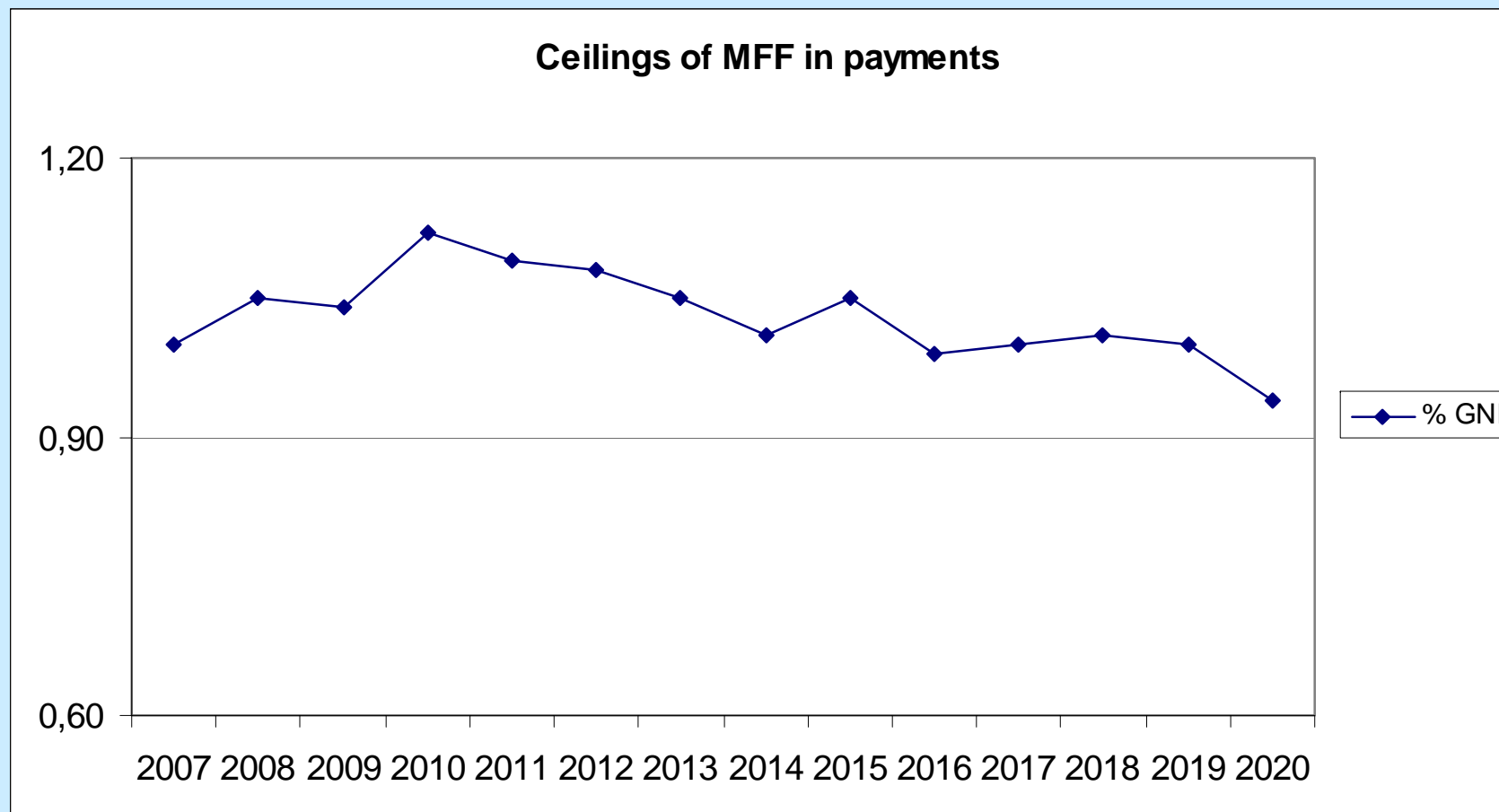
## MFF Commitments:

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

## MFF Payments

- € 972 Billion = 1.00 % of GNI

# Contained payment profile



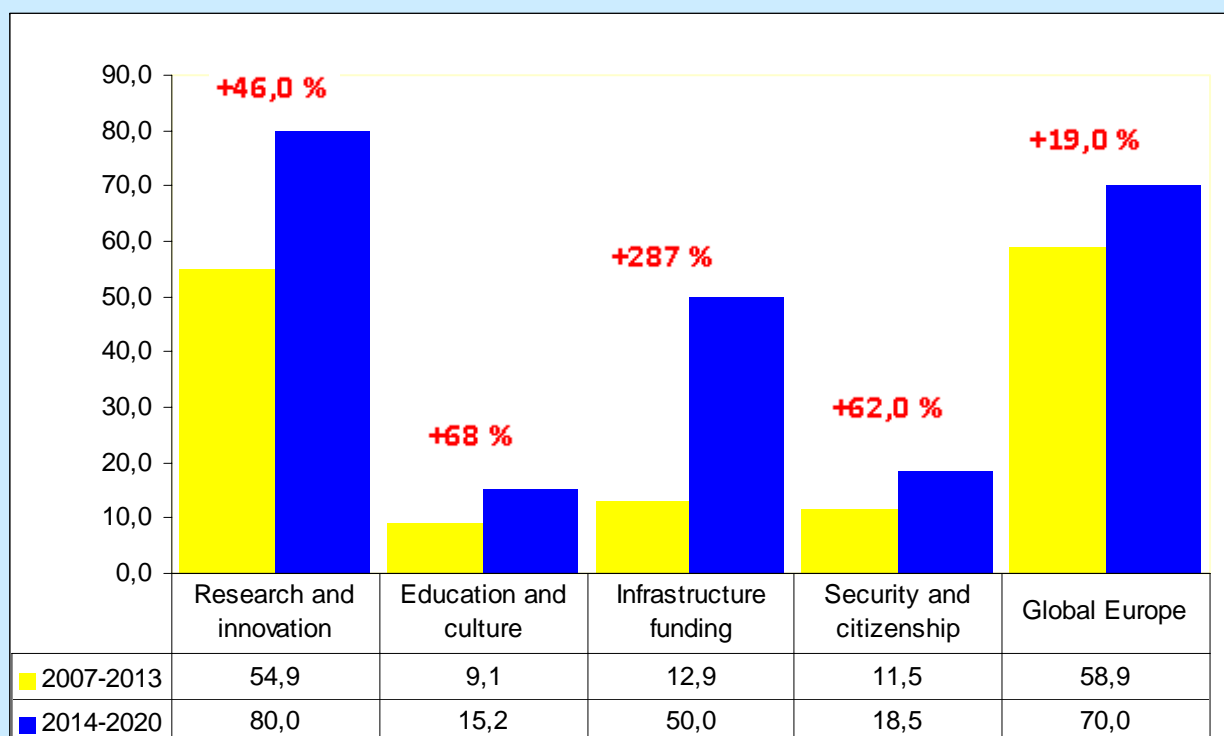
# Ambitious, but realistic...

COMPARISON MFF 2007-13/2014-20	Billion €-Post 2013 in 2011 prices		Difference in %
	2007-2013	2014-2020	
<b>1. Smart and Inclusive Growth</b>	443,1	490,9	11%
<i>Of which Competitiveness</i>	75,4	114,9	52%
<i>Of which Economic, social and territorial cohesion</i>	367,7	376	2%
<b>2. Sustainable Growth: natural resources</b>	432,2	382,9	-11%
<i>Of which Market related expenditure and direct payments</i>	322	281,8	-12%
<b>3. Security and Citizenship</b>	11,5	18,5	61%
<i>of which Freedom, Security and Justice</i>	7,6	11,6	53%
<i>of Citizenship</i>	3,8	6,9	80%
<b>4. Global Europe</b>	58,9	70,0	19%
<b>5. Administration (including pensions and European schools)</b>	56,9	62,6	10%
<i>Of which administrative expenditure of EU institutions</i>	48,4	50,5	4%
<b>Total appropriations</b>	1002,5	1025,0	
<b>In % of EU-27 GNI</b>	-	1.05	-

# Figures Outside the Multi-Annual Financial Framework

<b>OUTSIDE THE MFF</b>								
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.
<b>TOTAL OUTSIDE THE MFF</b>	<b>7 815</b>	<b>8 583</b>	<b>8 306</b>	<b>8 357</b>	<b>8 395</b>	<b>8 445</b>	<b>8 416</b>	<b>58 316</b>

# Despite restraint - significant re-distribution in key policy areas



In billion €

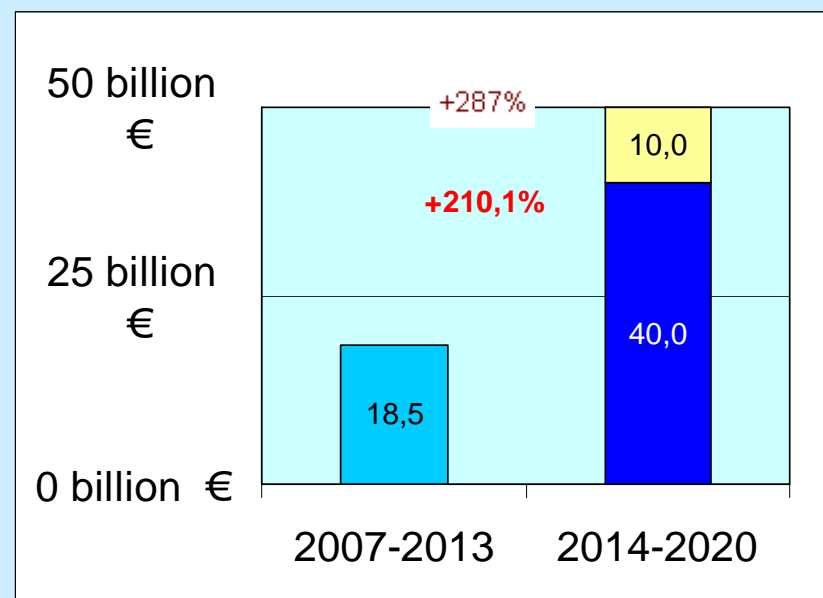
# Connecting Europe Facility

- Interconnecting Europe through **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**

10 billion € from Cohesion Fund  
 40 billion € from Connecting Europe Facility

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**50 billion € for European Infrastructure**

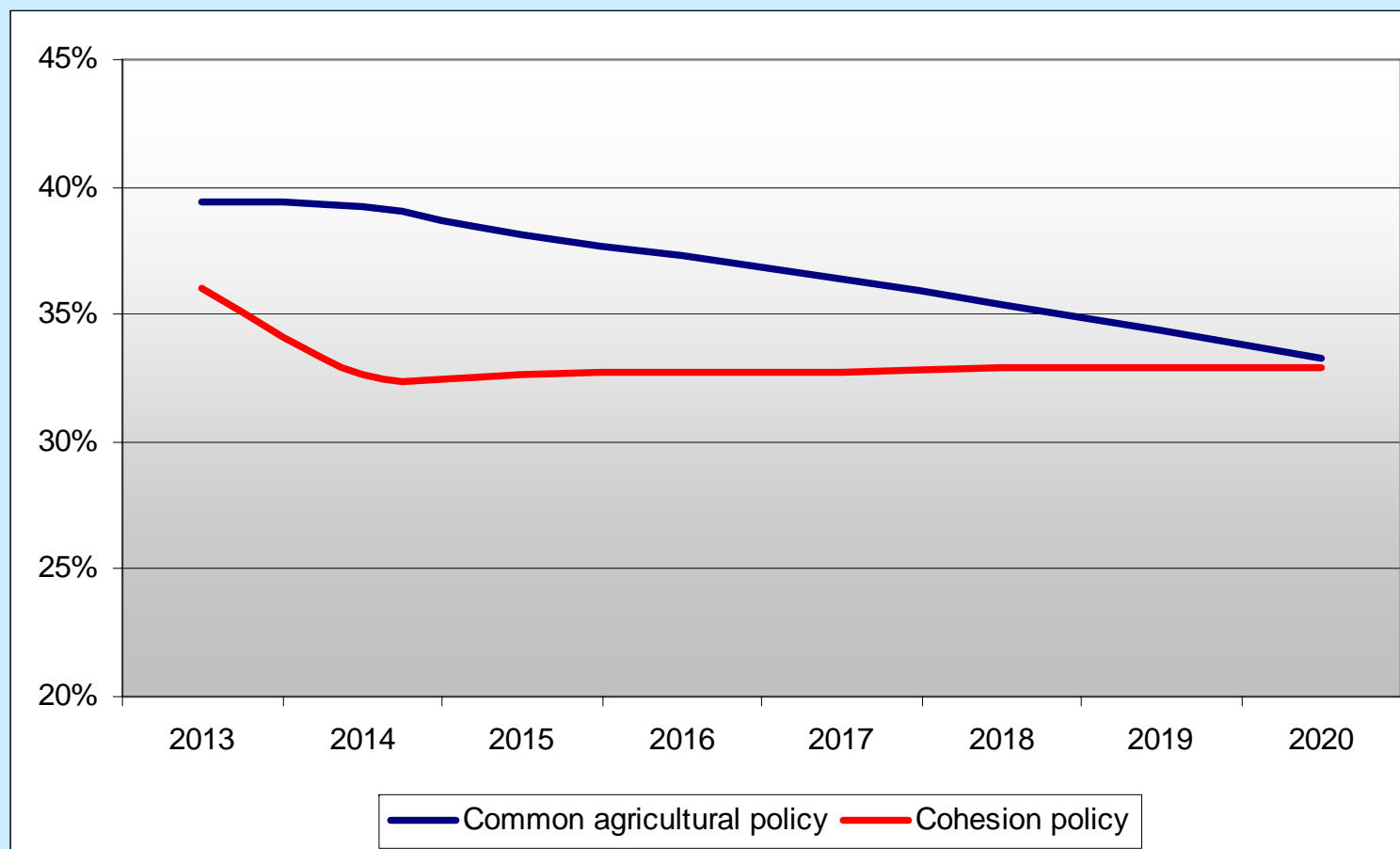


# Connecting Europe

- 1)  **Baltic – Adriatic Corridor**
- 2)  **Warsawa – 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**

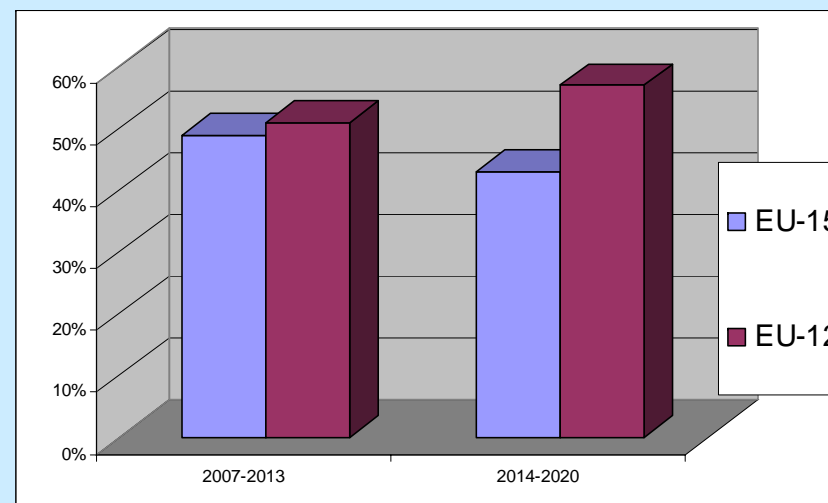


## Development of CAP and cohesion share in the budget between 2013 and 2020



# Cohesion policy

- Common strategic framework for all structural funds
- Investment partnership contracts with Member States
- Stronger conditionality
- The biggest spending area by 2020
- Concentration on poorer and weakest regions
- Thematic concentration
- Transition regions



# 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
<b>Highest increase of all Member States</b>	<b>87</b>	<b>144</b>	<b>66%</b>
<b>Highest reduction of all Member States</b>	<b>462</b>	<b>431</b>	<b>-7%</b>

# 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

# A new own resources system

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

# 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

## Combining the 2 new OR

- Critical mass to reduce contributions to EU budget
- Ensures fair distribution of impact on Member States
- Link to EU policies

# New structure of own resources

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

# 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

# Correction mechanisms

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

# 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