

EU BUDGET FOR THE FUTURE Multiannual Financial Framework

Chapter 33: Financial and
Budgetary Provisions
Explanatory meeting with North
Macedonia and Albania

#EUBudget

#FutureofEurope

***Disclaimer:** these slides
accompany the explanation of
the acquis to Albania and
North Macedonia and can
only be used for that purpose.
Their content is subject to
further development of the
acquis and interpretation by
the Court of Justice of the
European Union'*

*Helena Marrez, European Commission,
Directorate-General for the Budget*





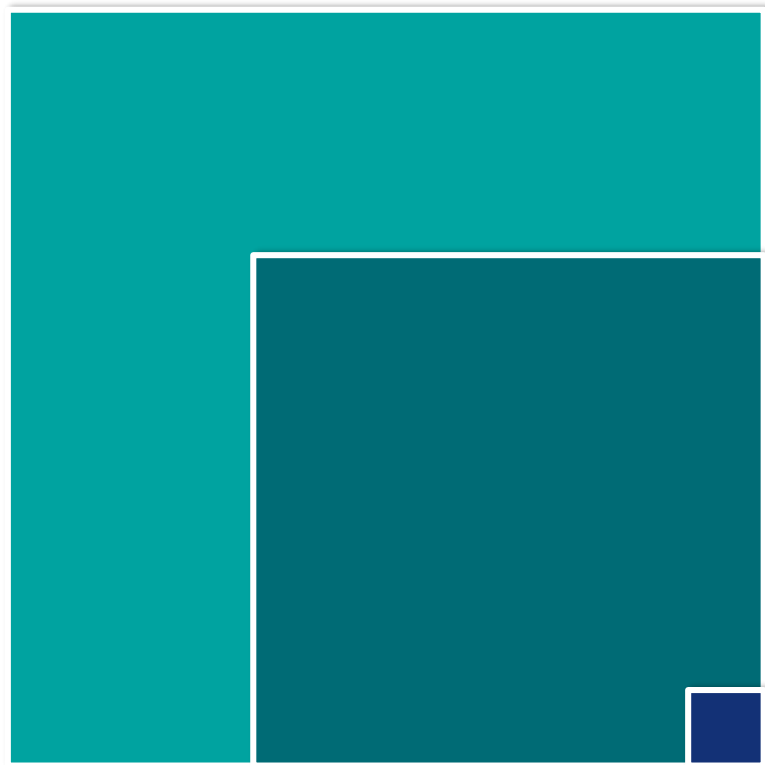
OVERVIEW

- **The Multiannual Financial Framework Regulation**
 - **Objectives, content, interinstitutional agreement**
- **From the 2014-2020 MFF to the 2021-2027 MFF**
- **State of play and next steps**

Disclaimer: these slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content is subject to further development of the acquis and interpretation by the Court of Justice of the European Union'



WHAT IS THE SIZE OF THE EU BUDGET?



2018

EU-28 gross national income

EUR 15 887 billion

EU-28 Member States public expenditure

EUR 7 249 billion

EU annual budget

EUR 139 billion

**Every citizen enjoys the benefits that
the EU brings for less than one cup of
coffee a day.**



WHAT DOES THE MULTIANNUAL FINANCIAL FRAMEWORK LOOK LIKE?

2014-2020 MFF – MAIN TABLE

(EUR million - current prices)

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
1. Smart and Inclusive Growth	52 756	77 986	69 304	73 512	76 420	79 924	83 661	513 563
1a: Competitiveness for growth and jobs	16 560	17 666	18 467	19 925	21 239	23 082	25 191	142 130
1b: Economic, social and territorial cohesion	36 196	60 320	50 837	53 587	55 181	56 842	58 470	371 433
2. Sustainable Growth: Natural Resources	49 857	64 692	64 262	60 191	60 267	60 344	60 421	420 034
of which: Market related expenditure and direct payments	43 779	44 190	43 951	44 146	44 163	43 881	43 888	307 998
3. Security and citizenship	1 737	2 456	2 546	2 578	2 656	2 801	2 951	17 725
4. Global Europe	8 335	8 749	9 143	9 432	9 825	10 268	10 510	66 262
5. Administration	8 721	9 076	9 483	9 918	10 346	10 786	11 254	69 584
of which: Administrative expenditure of the institutions	7 056	7 351	7 679	8 007	8 360	8 700	9 071	56 224
6. Compensations	29	0	0	0	0	0	0	29
TOTAL COMMITMENT APPROPRIATIONS	121 435	162 959	154 738	155 631	159 514	164 123	168 797	1 087 197
as a percentage of GNI	0,90%	1,17%	1,05%	1,04%	1,02%	1,00%	0,99%	1,02%

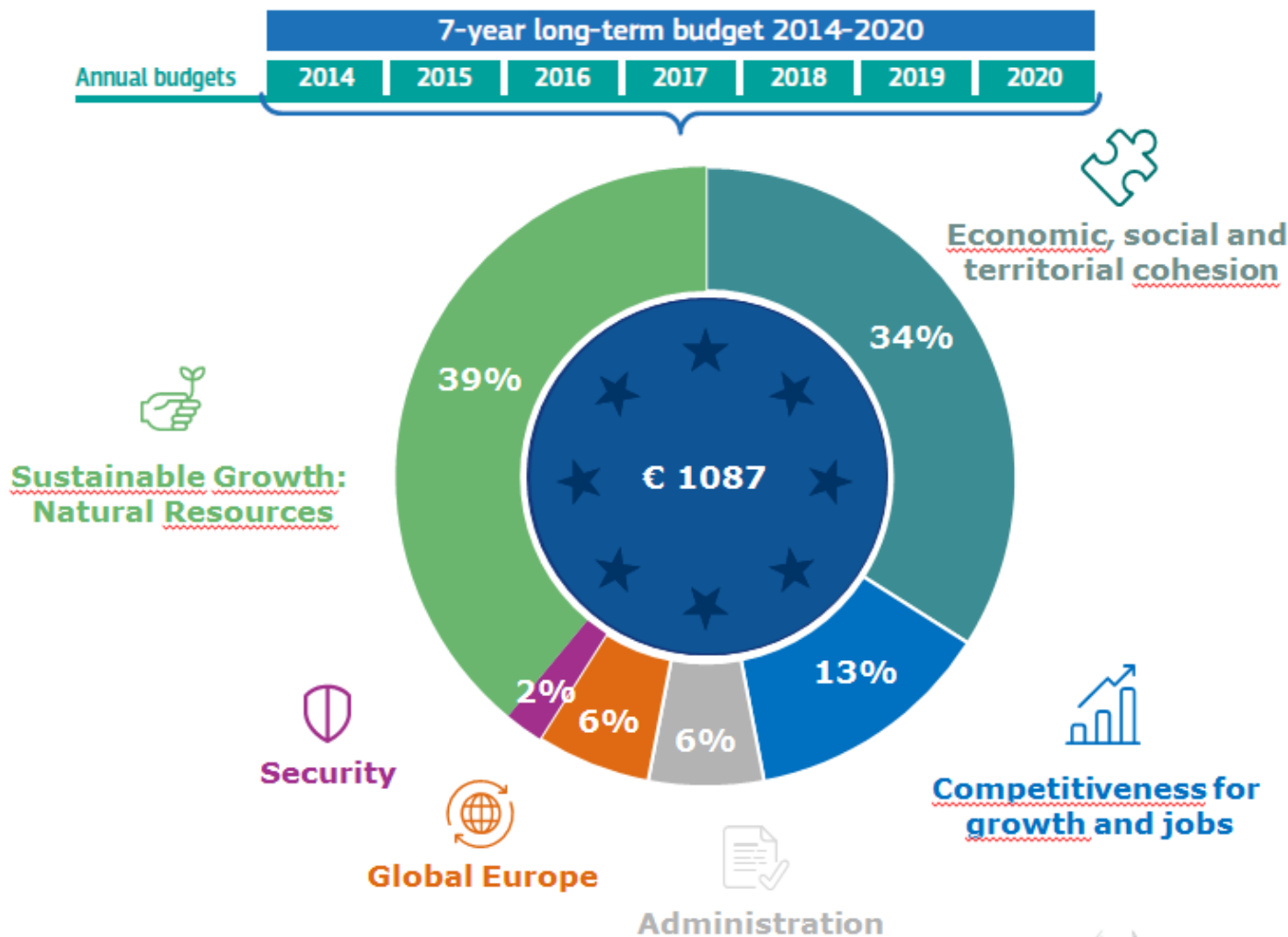
TOTAL PAYMENT APPROPRIATIONS	135 762	140 719	130 694	126 492	154 355	166 709	172 420	1 027 151
as a percentage of GNI	1,01%	1,01%	0,88%	0,84%	0,98%	1,01%	1,01%	0,96%
Margin available	0,22%	0,22%	0,35%	0,39%	0,22%	0,19%	0,19%	0,26%
Own Resources Ceiling as a percentage of GNI	1,23%	1,23%	1,23%	1,23%	1,20%	1,20%	1,20%	1,22%

* underlying GNI based on ESA 2010 from 2018 onwards

Source: COM (2019) 310 - Technical adjustment of the financial framework for 2020 in line with movements in GNI (ESA 2010)



WHAT IS THE CURRENT MULTIANNUAL FINANCIAL FRAMEWORK SPENT ON?



EU budget 2014-2020 in billion euro and in percentage, current prices



OBJECTIVES OF THE MULTIANNUAL FINANCIAL FRAMEWORK

Medium-term (5 to 7 years) planning instrument

- Ensures predictability / stable framework for national treasuries
- Multiannual investment horizon (for beneficiaries, private investors)

Defines overall and annual maximum amounts (ceilings)

- for broad categories of expenditure (headings) in commitments
- for total payments

Improves budgetary discipline

- Ensures orderly development of payments and commitments
- Facilitates annual budget procedure
- Defines flexibility mechanisms and their mobilization modes

Reflects political priorities



THE LEGAL BASIS

Art. 312 Treaty on the Functioning of the European Union (TFEU) enshrines the multiannual financial framework in EU primary law

Article 312 provides for :

- **Duration of the MFF: at least 5 years**
- **Special legislative procedure: Council to adopt Regulation laying down MFF with unanimity and after obtaining consent of Parliament**
- **‘Passerelle’ clause**
- **MFF to fix ceilings for annual commitment and payment appropriations. Annual budget has to comply with it**



THE MFF REGULATION'S CONTENT

General Provisions (Art. 1 to 8)

- MFF, Midterm Review/Revision, Compliance with Ceilings, respect of Own resources ceilings, global margin for payments, Technical adjustments, Adjustment of cohesion policy envelopes, Adjustments due to "macro-economic conditionality"

Special Instruments (Art. 9 to 16)

- Emergency Aid Reserve, EU Solidarity Fund, Flexibility Instrument, Globalisation Adjustment Fund, Contingency Margin, Global margin for commitments, Flexibility for youth unemployment, Contribution to large-scale projects

Revision (Art. 17 to 26)

- Revision of MFF, Revisions related to implementation, late adoption of ESIF programmes, Treaty changes, Enlargement. Interinstitutional cooperation, Unity of the Budget, Transition to next MFF, Entry into Force



THE INTERINSTITUTIONAL AGREEMENT

- **"Between the EP, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management"**
- **Used to be the legal instrument to fix the MFF ceilings (pre-Lisbon)**
- **Post-Lisbon, IIA only 'residual', supplementary to the MFF regulation, still politically and legally binding.**
- **Supplementary provisions in inter-institutional agreement (IIA), detailing out some of the MFFR provision**



THE INTERINSTITUTIONAL AGREEMENT

Part I: MFF and Special Instruments (Art. 1 to 8)

- e.g. operational provisions on the mobilization of the EAR, EUSF etc.

Part II: Improvement of Interinstitutional Cooperation in Budgetary Matters

- e.g. on Transparency, Incorporation of financial provisions in legislative acts, Specifics on Fisheries agreements, Agricultural Reserve, Financing of CSFP, EDF, administrative expenditure

Part III: Sound Financial Management of Union Funds

- e.g. on Joint Management, Evaluation reporting, Financial Programming Agencies and European Schools

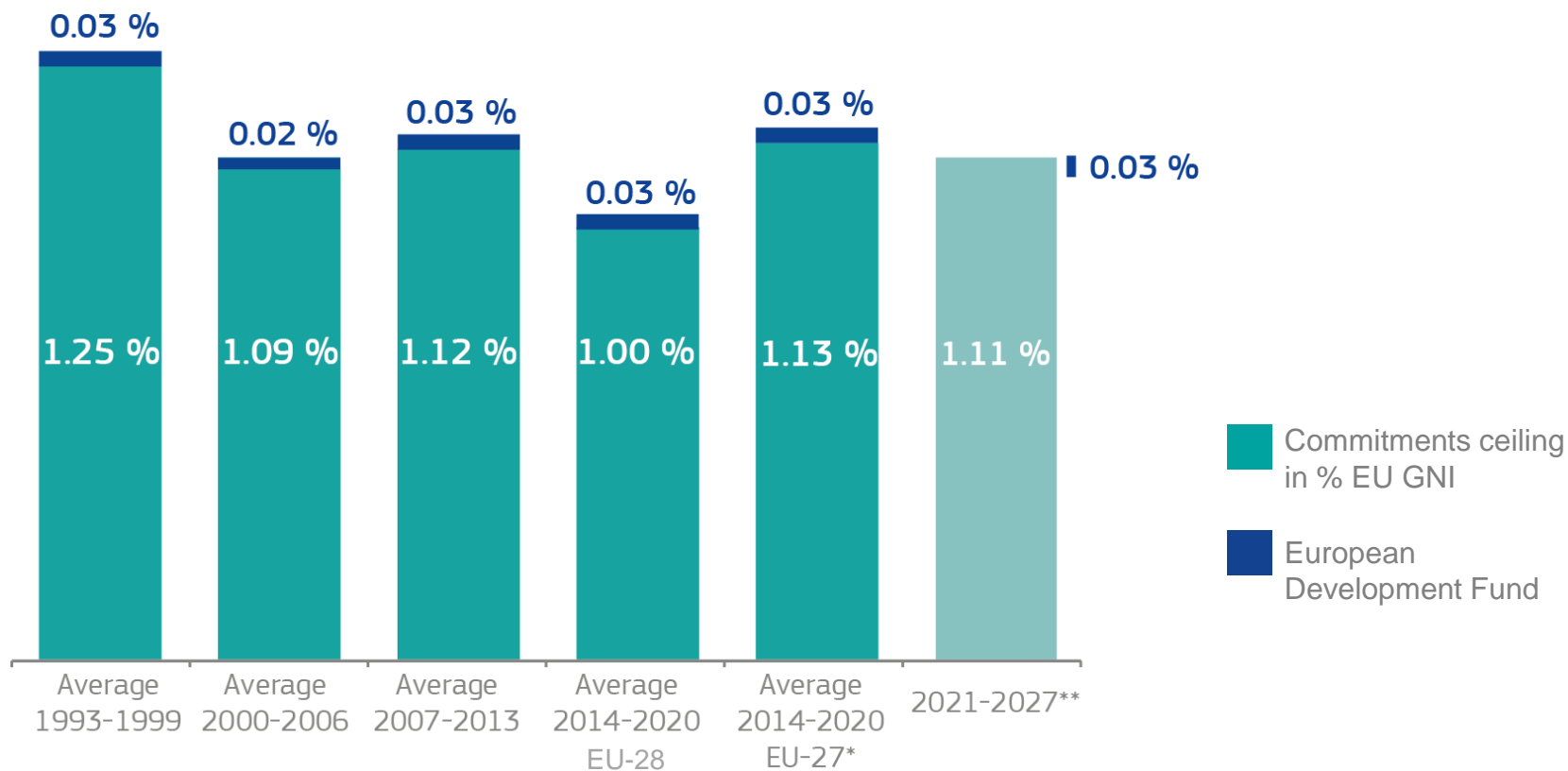
Annex: Budgetary Calendar, Working of the Conciliation Procedure, How to deal with Amending Budget



SIZE

Broadly stable level in % of GNI

The size of the EU budget as percentage of Gross National Income (GNI)



*2014-2020 estimated commitments
(UK expenditure excluded) in % EU27 GNI

** European Development Fund integrated ("budgetised")

Source: European Commission



HOW THE PROPOSED 2021-2027 MFF IS ALIGNED TO POLITICAL PRIORITIES

In billion euro, current prices



I. SINGLE MARKET, INNOVATION AND DIGITAL €187.4

- 1 Research and Innovation
- 2 European Strategic Investments
- 3 Single Market
- 4 Space



II. COHESION AND VALUES €442.4

- 5 Regional Development and Cohesion
- 6 Economic and Monetary Union
- 7 Investing in People, Social Cohesion and Values



III. NATURAL RESOURCES AND ENVIRONMENT €378.9

- 8 Agriculture and Maritime Policy
- 9 Environment and Climate Action



IV. MIGRATION AND BORDER MANAGEMENT €34.9

- 10 Migration
- 11 Border Management



V. SECURITY AND DEFENCE €27.5

- 12 Security
- 13 Defence
- 14 Crisis Response



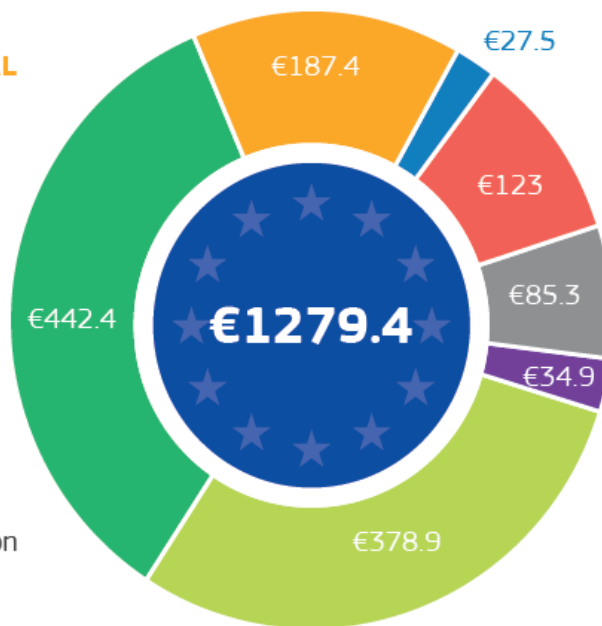
VI. NEIGHBOURHOOD AND THE WORLD €123

- 15 External Action
- 16 Pre-Accession Assistance



VII. EUROPEAN PUBLIC ADMINISTRATION €85.3

- 17 European Public Administration



Source: European Commission



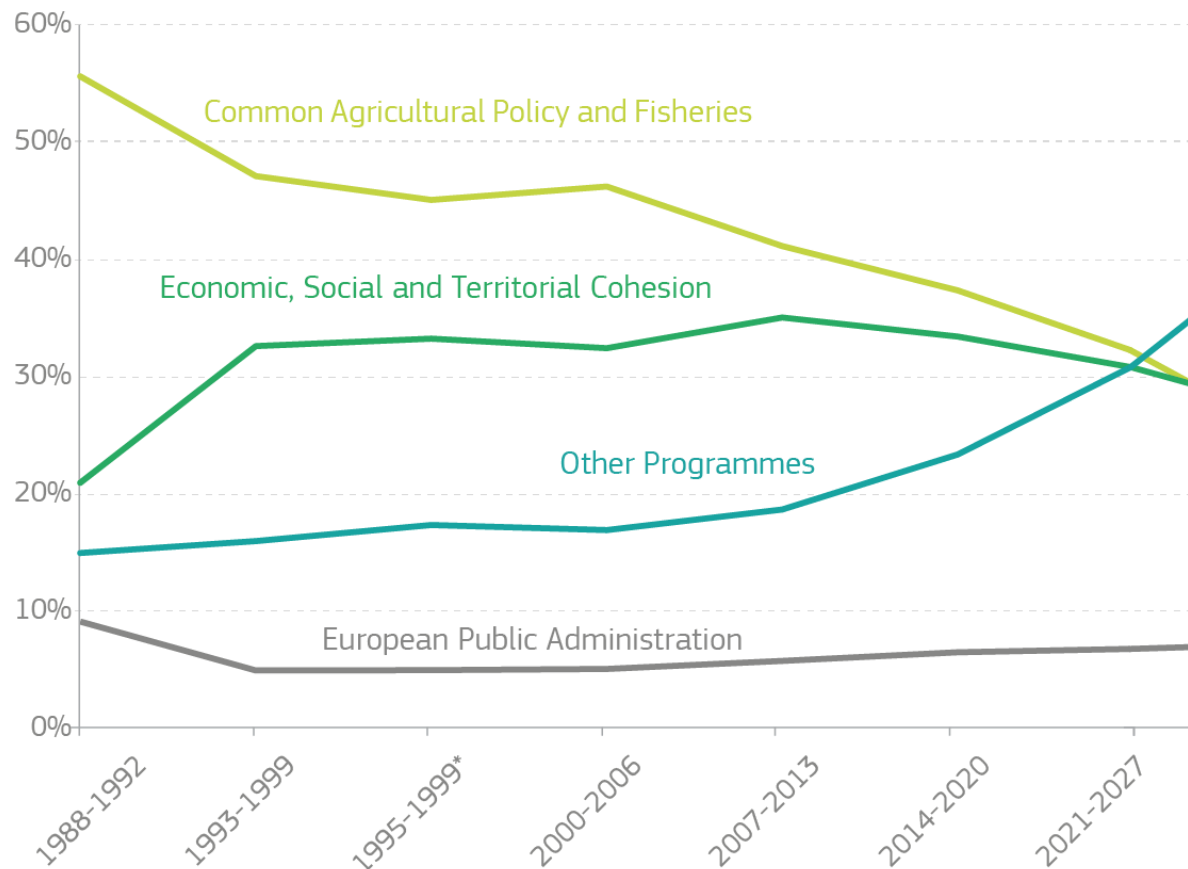
European
Commission



MATCHING PRIORITIES WITH RESOURCES

Rebalancing and fairness

Evolution of main policy areas in the EU budget



*Adjusted for 1995 enlargement

Source: European Commission



FINANCING THE EU BUDGET

Simplification and diversification of revenue sources

Modernisation of existing Own Resources



Value Added Tax-based: simplified



Traditional Own Resources (customs duties):
lower collection costs (20% to 10%)



GNI-based contribution: smaller share

New Own Resources



Common Consolidated Corporate Tax Base
→ *less likely to be retained*



20% of revenues from **Emissions Trading System**



National contribution based on **non-recycled plastic packaging waste** → *has gained broad support by Member States*

Other new Own Resources

No rebates



Phasing out mechanism over five years

Higher Own Resources ceiling



From currently 1.2% of GNI to 1.29% of GNI



STATE OF PLAY OF NEGOTIATIONS:

Parliament: Interim Report of November 2018

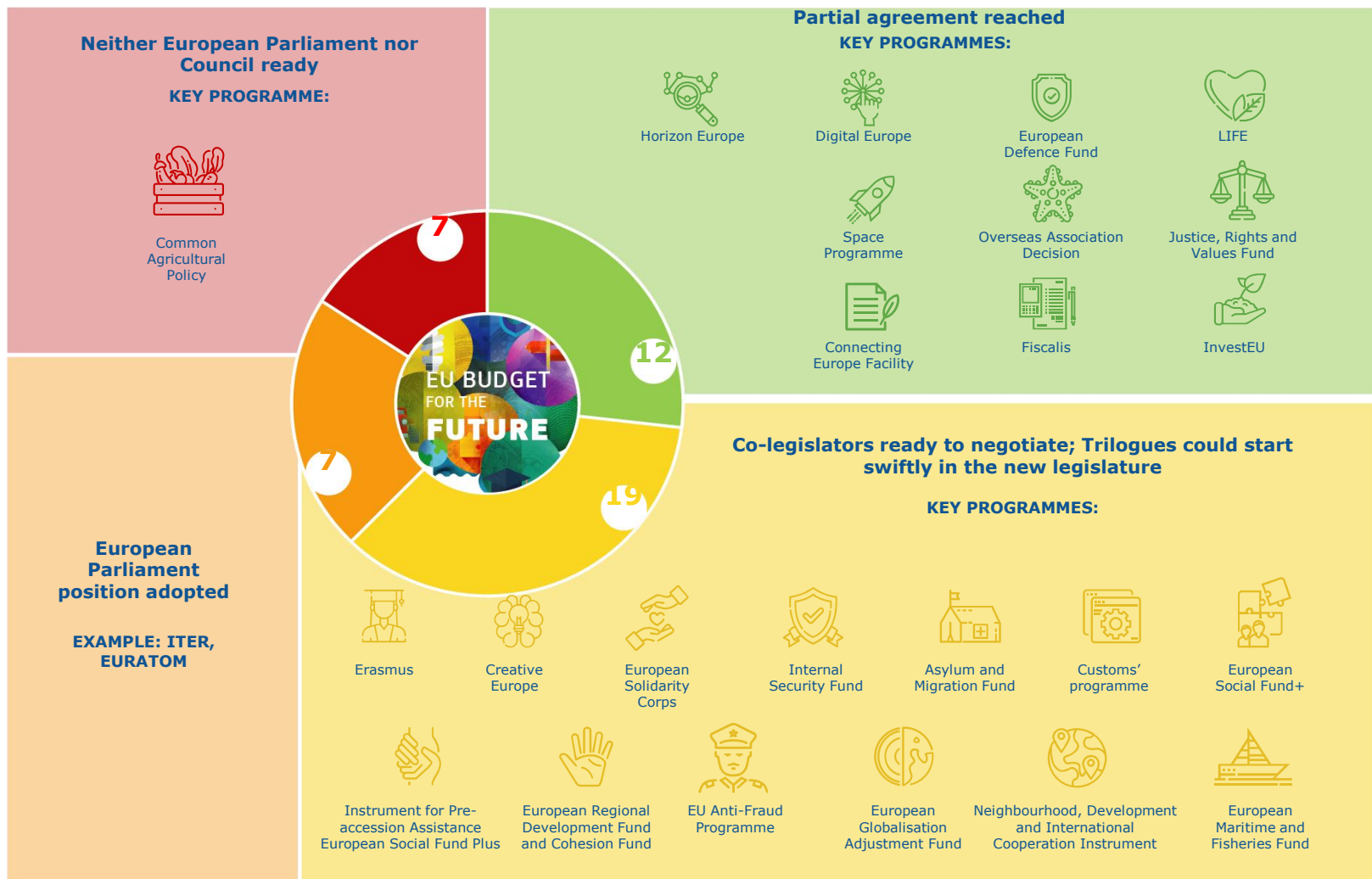
- Commission's proposal **not ambitious** enough; calls for an MFF of **1.30% GNI** instead of 1.11% (+€214 billion in current prices):
 - Cohesion and CAP maintained at current levels in real terms
 - Reinforcement for priority programmes/areas
- Own resources are part of the package

Council: European Council June 2019

- exchange of views in October 2019, aiming for an agreement before the end of the year



CURRENT SITUATION OF SECTORAL LEGISLATIVE PROPOSALS*



Source: European Commission



MANY STEPS BETWEEN A EUROPEAN COUNCIL AGREEMENT AND IMPLEMENTATION ON THE GROUND

THE EXAMPLE OF THE PREVIOUS FINANCIAL FRAMEWORK



Source: European Commission




EU BUDGET FOR THE FUTURE


Complete set of information available at:

https://ec.europa.eu/commission/future-europe/eu-budget-future_en


Or just look up

eu budget for the future







The European Commission has put forward ambitious yet realistic proposals for a modern EU budget. It is time for an EU budget that reflects rapid developments in innovation, the economy, the environment and geopolitics, amongst others. The Commission is putting forward modern, clearer and simpler EU financial rules that ensure the EU budget delivers on the issues that matter to Europeans.




Cohesion and values
Regional development, support for reforms, anti-counterfeiting, EMU, investing in people (social, education, volunteer and media programmes), justice, rights, values




Natural resources and environment
Agriculture, rural development, maritime, fisheries, environment, climate




Single market, innovation and digital
Single market, investment, research and innovation, tax, customs, small and medium-sized businesses, competitiveness, space programme, Euratom, Connecting Europe Facility



Migration and border management
Asylum, migration, integrated border management



Security and defence
Internal security, nuclear safety and decommissioning, defence, crisis response



Neighbourhood and the world
Neighbourhood, development, international cooperation, humanitarian aid, pre-accession, Common Foreign and Security Policy, funds for overseas countries/territories

