



# Multiannual Financial Framework 2014-20

## State of play after the February 2013 European Council

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*Head of Cabinet of Budget Commissioner Janusz Lewandowski*

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# Outline

- A. February 2013 European Council conclusions - main aspects
- B. Main policy areas (Competitiveness, Cohesion, CAP)
- C. Reinforced link between Europe 2020 and the MFF
- D. European Parliament position and negotiations ahead

# Results of the European Council

(2011 prices)

COMMITMENT APPROPRIATIONS	2007-2013		COM proposal (update July 2012)		EC conclusions 8/2/2013		Difference: EC conclusions vs COM proposal		Difference: EC conclusions vs 2007-2013	
	mil EUR	% of total CA	mil EUR	% of total CA	mil EUR	% of total CA	mil EUR	%	mil EUR	%
<b>1. Smart and Inclusive Growth</b>	<b>446.310</b>	<b>44,9%</b>	<b>503.310</b>	<b>48,2%</b>	<b>450.763</b>	<b>47,0%</b>	<b>-52.547</b>	<b>-10,4%</b>	<b>4.453</b>	<b>1,0%</b>
1a Competitiveness for Growth and Jobs*	91.495	9,2%	164.316	15,7%	125.614	13,1%	-38.702	-23,6%	34.119	37,3%
1b Economic, social and territorial cohesion	354.815	35,7%	338.994	32,4%	325.149	33,9%	-13.845	-4,1%	-29.666	-8,4%
<b>2. Sustainable Growth: Natural Resources</b>	<b>420.682</b>	<b>42,3%</b>	<b>389.972</b>	<b>37,3%</b>	<b>373.179</b>	<b>38,9%</b>	<b>-16.793</b>	<b>-4,3%</b>	<b>-47.503</b>	<b>-11,3%</b>
of which: Market related expenditure and direct payments**	318.820	32,1%	286.551	27,4%	277.851	28,9%	-8.700	-3,0%	-40.969	-12,9%
<b>3. Security and citizenship</b>	<b>12.366</b>	<b>1,2%</b>	<b>18.809</b>	<b>1,8%</b>	<b>15.686</b>	<b>1,6%</b>	<b>-3.123</b>	<b>-16,6%</b>	<b>3.320</b>	<b>26,8%</b>
<b>4. Global Europe</b>	<b>56.815</b>	<b>5,7%</b>	<b>70.000</b>	<b>6,7%</b>	<b>58.704</b>	<b>6,1%</b>	<b>-11.296</b>	<b>-16,1%</b>	<b>1.889</b>	<b>3,3%</b>
<b>5. Administration***</b>	<b>57.082</b>	<b>5,7%</b>	<b>63.165</b>	<b>6,0%</b>	<b>61.629</b>	<b>6,4%</b>	<b>-1.536</b>	<b>-2,4%</b>	<b>4.547</b>	<b>8,0%</b>
<b>6. Compensations****</b>	<b>920</b>	<b>0,1%</b>	<b>27</b>	<b>0,0%</b>	<b>27</b>	<b>0,0%</b>	<b>0</b>		<b>-893</b>	
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<b>994.176</b>		<b>1.045.282</b>		<b>959.988</b>		<b>-85.294</b>	<b>-8,2%</b>	<b>-34.188</b>	<b>-3,4%</b>
as a percentage of GNI	1,12%		1,09%		1,00%		-0,09%		-0,12%	
<b>TOTAL PAYMENT APPROPRIATIONS</b>	<b>942.778</b>		<b>998.784</b>		<b>908.400</b>		<b>-90.384</b>	<b>-9,0%</b>	<b>-34.378</b>	<b>-3,6%</b>
as a percentage of GNI	1,06%		1,04%		0,95%		-0,09%		-0,12%	

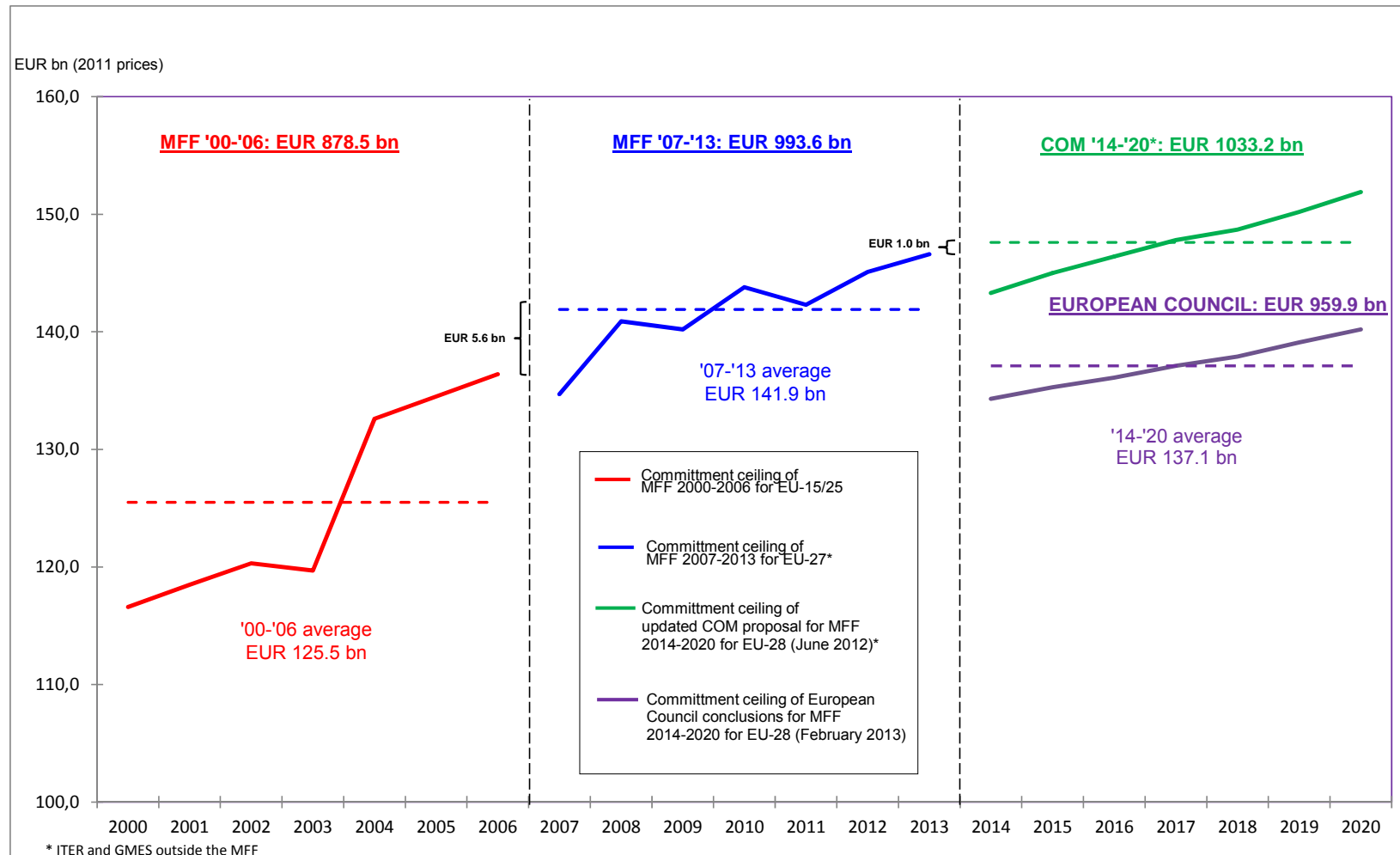
\* For comparison purpose, the Commission proposal for H1a is increased for the amounts for ITER and GMES that were proposed to be financed outside the MFF but finally integrated in H1a.

\*\*For 2007-2013, the net ceiling for 1 pillar (Commission Decision 379/2009 as last amended) is taken into account which is after deductions of the modulation and other transfers to RD. This net ceiling is then adjusted to comply with the structure of the 2014-2020 subceiling (i.e. without market interventions in fisheries markets - to be financed under EMFF, and Food Safety - to be financed under H3; the voluntary modulation from RD is added). For comparison purpose, the Commission proposal for H2 is increased by the amount of the new agri reserve that was proposed to be financed outside the MFF and finally integrated in H2.

\*\*\*For comparison purpose, the ceiling for H5 for 2007-2013 is increased by the amount of staff contributions that are currently outside the MFF (i.e. EUR 500 mil in 2004 prices)

\*\*\*\* Compensations: BG, RO for 2007-2009, HR for 2014

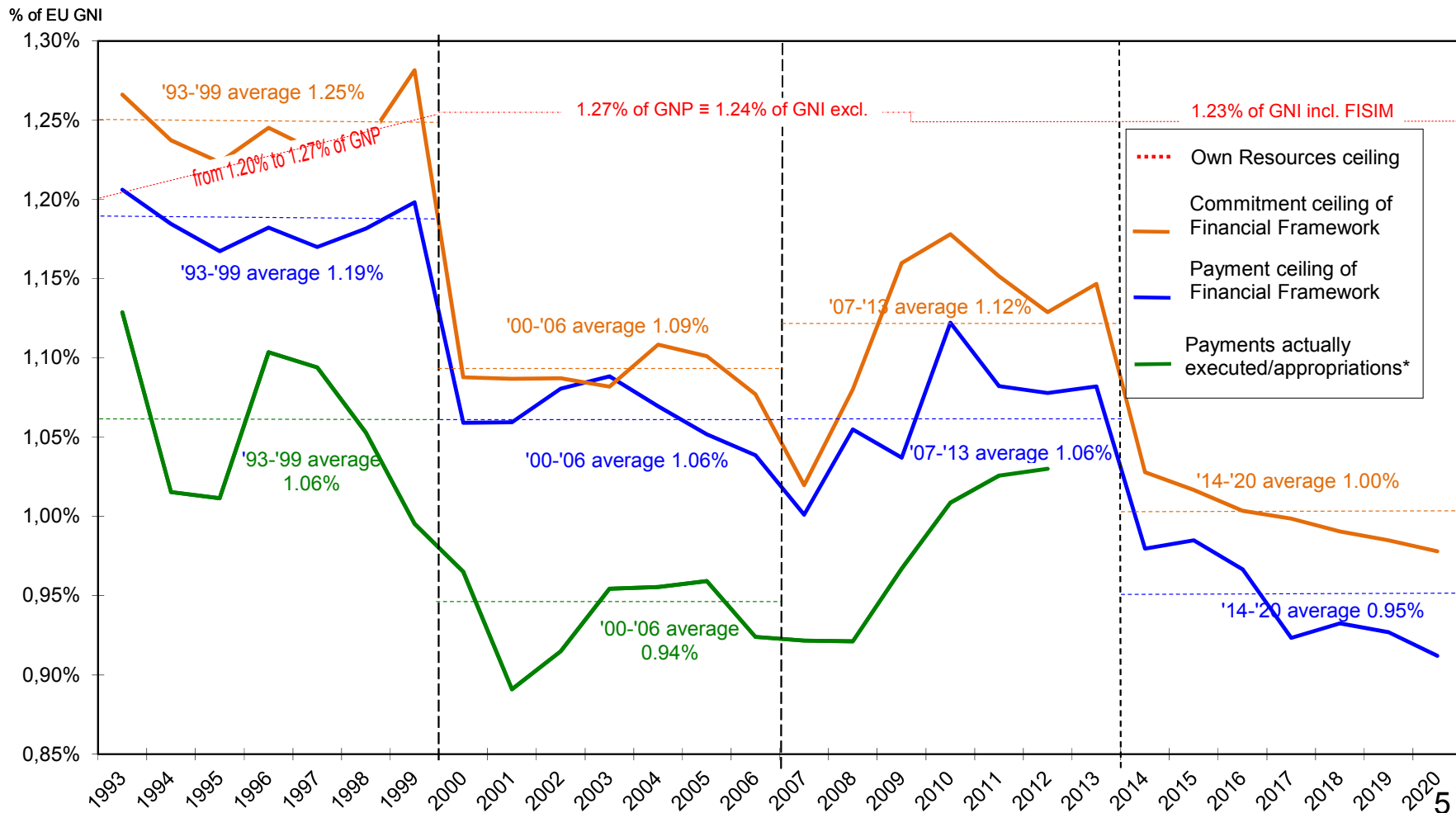
# Comparison of ceilings 2000-2020 (EUR bn)





European Commission

# Comparison of ceilings 2000-2020 (% GNI)



\* excluding expenditure financed by assigned revenue





## Despite the cuts in important areas, positive aspects remain and other improvements are possible in the negotiations with the EP (1)

- **+ EUR 34 bn (+37 %) for competitiveness**, notably research and development, education and mobility (Erasmus) and the Connecting Europe Facility;
- **Youth Employment Initiative**;
- Focus on **innovative financial instruments and simplification** of management;



## Despite the cuts in important areas, positive aspects remain and other improvements are possible in the negotiations with the EP (2)

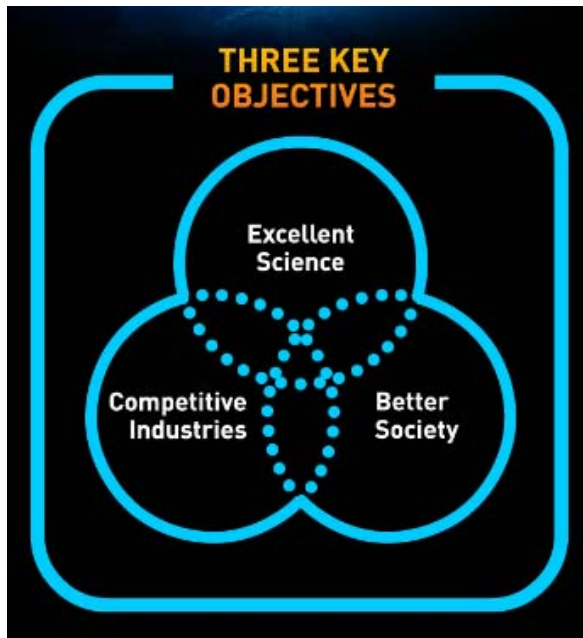
- ***Result-orientation and conditionality***: a reinforced link between the Europe 2020 Strategy and structural reforms;
- Important new elements of ***flexibility*** allowing for a more efficient use of the MFF's ceilings and improving its capacity to accommodate unforeseen circumstances;
- ***Climate***: objective to commit 20% of spending to climate, + "greening" of CAP and cohesion.

## **Own resources system: Disappointing results, but a few steps in the direction of what Commission had proposed**

- TOR collection costs down from 25 to 20 %;
- Rationalisation (albeit limited) of system of financial corrections ("rebates");
- Member States participating in the forthcoming FTT (under enhanced cooperation) invited to examine if it could become a new own resource ;
- Council invited to continue working on the Commission proposal for a new own resources based on VAT.



## Main policy areas: Horizon 2020



- Support to top-level research in Europe, including for successful European Research Council.
- Strengthen industrial leadership in innovation through major investment in key technologies, greater access to capital and support for SMEs.
- Help addressing major societal challenges such as climate change, developing sustainable transport, renewable energy, food safety and security, or coping with the challenge of an ageing population.



## Main policy areas: Horizon 2020

- Major simplification through a single set of rules. Horizon 2020 will combine all research and innovation funding currently provided through
  - the Framework Programmes for Research and Technical Development,
  - the innovation related activities of the Competitiveness and Innovation Framework Programme and
  - the European Institute of Innovation and Technology.
- Integration of research and innovation by providing seamless and coherent funding from idea to market.
- Increased role of innovative financial instruments and public-private partnerships to promote private investments (leverage effect).

# Connecting Europe Facility

## EUR 29 billion

- Transport (23 bn), energy (5 bn) and digital (1 bn) networks
- Cross-border investments to the benefit of internal market and climate
- Synergies with cohesion policy
- Proposed use of EU project bonds

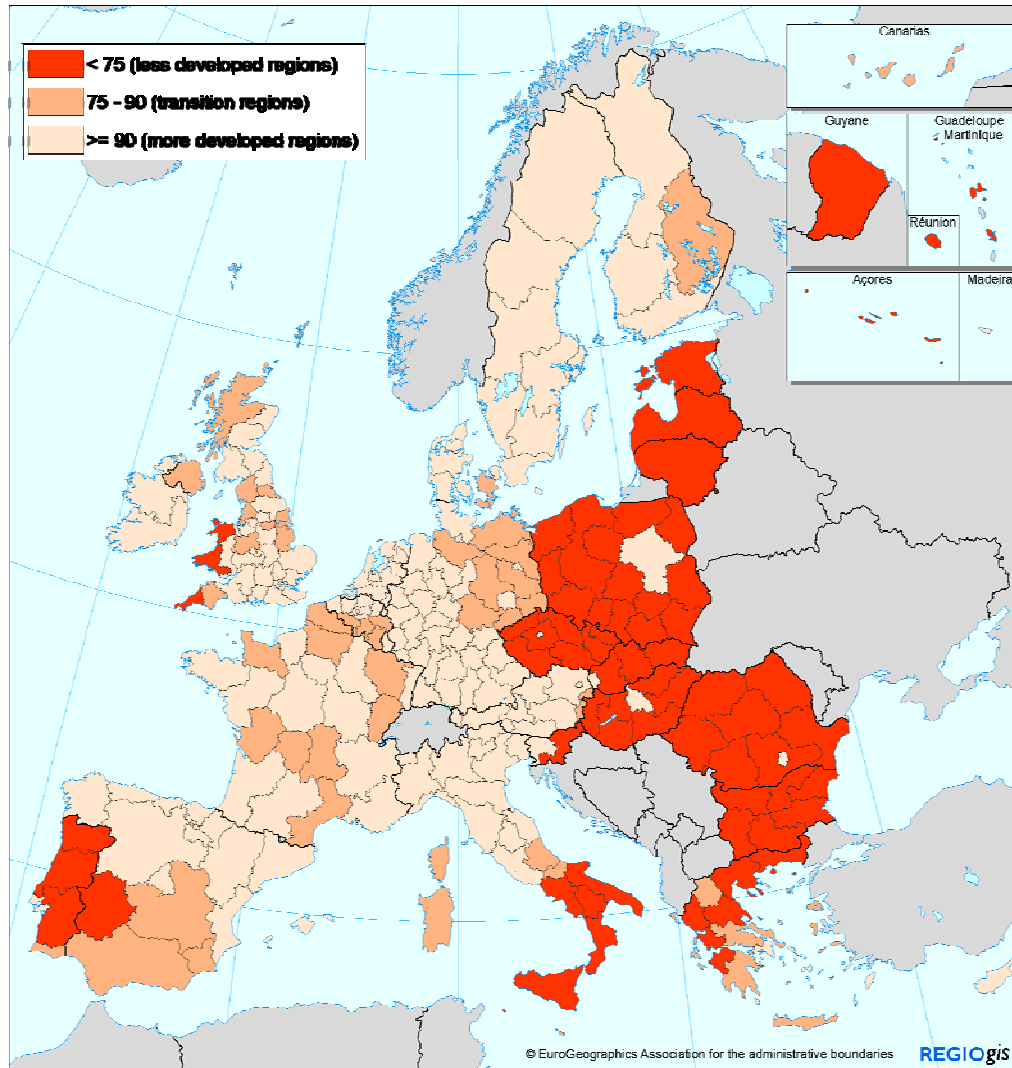




## Eligibility simulation 2014-2020, March 2012

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GDP/head (PPS), index EU27=100



- Common strategic framework
- Investment partnership contracts with Member States
- Stronger conditionality
- Concentration on less developed MS and regions
- Thematic concentration

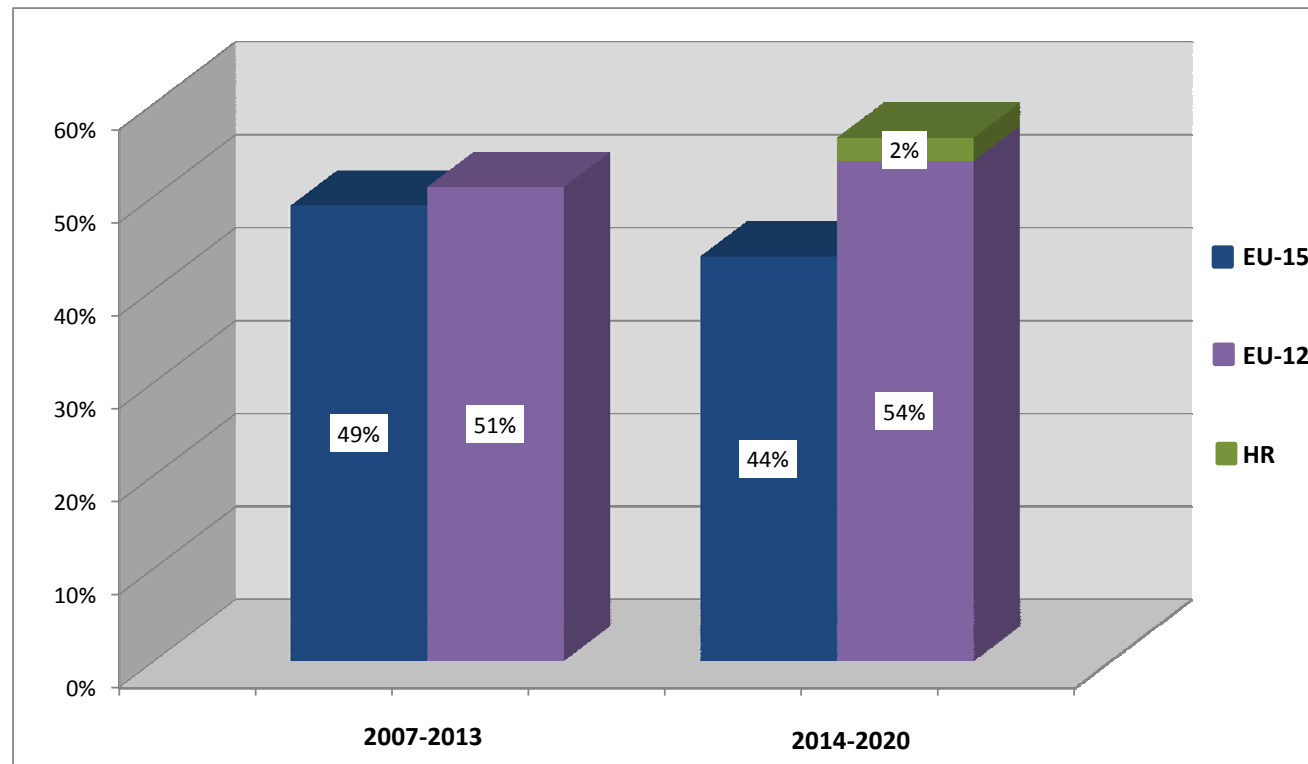


# Cohesion policy

European Council conclusions	EUR billion (2011 prices)
Cohesion Fund	66.4*
Less developed regions	164.3
Transition regions	31.7
More developed regions	49.5
Additional funding for outermost and northern sparsely populated regions	1.4
Youth employment initiative	3.0
Cooperation	8.9
<b>TOTAL</b>	<b>325.1</b>

*\* of which EUR 10 bn are transferred to Connection Europe Facility - transport*

# Cohesion policy: evolving share EU15/EU12-13





## Youth employment initiative

- EUR 6 bn
- Available to all regions in EU-28 with levels of youth unemployment  $> 25\%$  (2012 data)
- EUR 3 bn from targeted investments from the ESF
- + EUR 3 bn of matching funding from a dedicated budget line, exempt from capping.



# Common Agricultural Policy

- Progressive convergence of direct payments towards EU average:
  - Close 33% of the gap with 90% of EU average
  - Financed by all Member States above the average
  - Minimum level of EUR 196 per ha by 2020 for each Member State
- Greening of CAP - direct aid: 30 % linked to environmental measures
- Member States can introduce capping of DP for large beneficiaries
- Flexibility between Pillars
- Market measures: New crises reserve (EUR 2.8 bn)





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## ... and for Italy:

- Italy maintains its CAP and cohesion allocations in spite of significant overall decrease (cohesion EU 15: -19 % on average)
- Italy will be one of the main beneficiaries of the YEI
- Stabilisation of national contributions



Italia  
Eligibility simulation 2014-2020, March 2012

GDP/head (PPS), index EU27=100

< 75 (less developed regions)

75 - 90 (transition regions)

>= 90 (more developed regions)

Regional GDP figures: 2007-08-09  
Data available March 2012

0 200 Km

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# Improved coordination and potential for synergies

Common Strategic Framework

Partnership Contract

Operational Programmes

- Comprehensive investment strategy aligned on Europe 2020
- Coherence with National Reform Programmes
- Coordination: cohesion policy, rural development, maritime and fisheries funds; coordination with the other European programmes (especially Horizon 2020 and CEF)
- Objectives and indicators to measure progress towards Europe 2020 targets
- Effectiveness: introduction of a performance framework
- Efficiency: reinforced administrative capacity, simplification



# Europe 2020 Strategy and EU budget

- This improved alignment of policies and budgetary instruments allows for providing competitiveness and cohesion programmes as well as the CAP with appropriate tools:
  - **"Thematic concentration" of investments on priorities of the Europe 2020 Strategy;**
  - **definition and monitoring of the specific targets;**
  - **conditionalities;**
  - **performance reserve.**



## Negotiations: EP Position

- **European Parliament Resolution of 8 June 2011**
  - Overall volume: 1.11 % of GNI (2013 level + 5 %);
  - Maintain (at least) the 2007-2013 allocations for cohesion and the 2013 allocations for the CAP;
  - Increase the allocations for research, education and mobility, energy and transport, justice and home affairs, external action;
  - Increase the flexibility of the MFF + introduce a compulsory mid-term review;
  - Introduce new own resources and abolish correction mechanisms.
- **Contact group/Strong involvement of the EP president**
- **First reaction to EC conclusions of 8 February:**
  - => EP will focus on four main issues: flexibility, mid-term revision, own resources and reinforcement of policies linked to Europe 2020. Note: Issue of payment appropriations has become crucial, in conjunction with 2013 budget.***

# Negotiations



# Timetable

