



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: Presidency

to Delegations

Subject: Draft COUNCIL REGULATION
laying down the multiannual financial framework for the years 2014-2020

Delegations will find enclosed the draft COUNCIL REGULATION laying down the multiannual financial framework for the years 2014-2020.

Draft

COUNCIL REGULATION

laying down the multiannual financial framework for the years 2014-2020

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the functioning of the European Union, and in particular Article 312 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

Having regard to the proposal from the European Commission¹,

Having regard to the consent of the European Parliament²,

After transmission of the draft legislative act to national Parliaments,

Acting in accordance with a special legislative procedure,

Whereas:

- (1) The annual ceilings on commitments appropriations by category of expenditure and the annual ceilings on payment appropriations established by this Regulation must respect the ceilings set for commitments and own resources in [Council Decision XXXX/XX/EU, Euratom].
- (2) Taking into account the need for an adequate level of predictability for preparing and implementing medium-term investments, the duration of the financial framework should be set at seven years starting 1 January 2014. A review will take place in 2016 at the latest, following the European Parliament elections. This will allow the institutions, including the European Parliament elected in 2014, to reassess the priorities. The results of this review should be taken into account in any revision of the Regulation for the remaining years of the financial framework.

¹ OJ C , , p. .

² OJ C , , p. .

- (2a) In the context of the mid-term review/revision of the multi-annual financial framework referred to in Article 1a, the European Parliament, the Council and the Commission agree to jointly examine the most suitable duration for the MFF starting in 2021 before the Commission presents its proposals with a view to striking the right balance between the duration of the institutions' political cycles – in particular those of the European Parliament and the European Commission - and the need for stability for programming cycles and investment predictability.
- (2b) Specific and maximum possible flexibility should be implemented to allow the Union to fulfil its obligations in compliance with Article 323 TFEU.
- (3) The following special instruments : the Emergency Aid Reserve, the European Union Solidarity Fund, the Flexibility Instrument, the European Globalisation Adjustment Fund, the Contingency Margin, the specific flexibility to tackle youth unemployment and strengthen research and the global margin for commitments for growth and employment, in particular youth employment are necessary to allow the Union to react to specified unforeseen circumstances, or to allow the financing of clearly identified expenditure which could not be financed within the limits of the ceilings available for one or more headings as laid down in the financial framework, thereby facilitating the budgetary procedure. Specific provisions are therefore necessary to provide for a possibility to enter in the budget commitment appropriations over and above the ceilings set out in financial framework where it is necessary to use special instruments.
- (4) If it is necessary to mobilise the Union's budget guarantees for the loans provided under the Balance of Payment Facility and the European Financial Stabilisation Mechanism set out in Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments¹ and in Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism², the necessary amount should be mobilised over and above the ceilings of the commitments and payments appropriations of the financial framework while respecting the own resources ceiling.

¹ OJ L 53, 23.2.2002, p. 1

² OJ L 118, 12.5.2010, p. 1.

- (5) The financial framework should be laid down in 2011 prices. The rules for technical adjustments of the financial framework to recalculate the ceilings and margins available should also be laid down.
- (6) The financial framework should not take account of budget items financed by assigned revenue within the meaning of Regulation (EU) No [xxx/201x] of the European Parliament and of the Council of [...] on the financial rules applicable to the annual budget of the Union¹.
- (7) Rules should be laid down for other situations that may require the financial framework to be adjusted. Those adjustments may be related to the implementation of the budget, macroeconomic conditionalities linked to the coordination of Member States' economic policies, revision of the Treaties, enlargements, the reunification of Cyprus, or delayed adoption of new rules governing certain policy areas.
- (8) The national envelopes for cohesion policy are established on the basis of the statistical data and forecasts used for the July 2012 update of the Commission proposal² for the present Regulation. Given the forecasting uncertainties and the impact for the capped Member States and to take account of the particularly difficult situation of Member States suffering from the crisis, the Commission will, in 2016, review all Member States' total allocations under the "Investment for growth and jobs" goal of cohesion policy for the years 2017 to 2020.
- (9) The financial framework may need to be revised in case of unforeseen circumstances that cannot be dealt with within the established ceilings of the financial framework. It is therefore necessary to provide for revision of the financial framework in such cases.
- (10) It is necessary to provide for general rules on interinstitutional cooperation in the budgetary procedure.

¹ OJ L .

² COM(2012) 388 final of 6.7.2012.

- (11) In order to help the budgetary procedure to run smoothly, it is necessary to provide for the basic rules for the budgeting of the expenditure for the Common Foreign and Security policy and overall amount for the period covered by the financial framework.
- (12) Detailed arrangements on interinstitutional cooperation in the budgetary procedure and on the budgeting of the expenditure for the Common Foreign and Security policy are laid down in the Interinstitutional Agreement of [...] 201x between the European Parliament, the Council and the Commission on cooperation in budgetary matters and sound financial management¹.
- (13) Specific rules are also necessary for dealing with large-scale infrastructure projects whose lifetime extends well beyond the period set for the financial framework. It is necessary to establish maximum amounts for the contributions from the Union's budget to those projects thereby ensuring that they do not have any impact on other projects financed from the Union's budget.
- (14) The Commission should present a proposal for a new multiannual financial framework before 1 January 2018 to enable the institutions to adopt it sufficiently in advance before the start of the following financial framework. The financial framework laid down in this Regulation should continue to apply if the new financial framework regulation is not adopted before the end of the term of the financial framework laid down in this Regulation.
- (15) The Economic and Social Committee as well as the Committee of the Regions were consulted and adopted opinions²,

HAS ADOPTED THIS REGULATION:

¹ OJ C ...

² XX

Article 1
Multiannual Financial Framework

The multiannual financial framework for the period 2014 to 2020 (hereinafter the financial framework) is set out in the Annex.

Article 1a
Mid-term review/revision of the financial framework

By the end of 2016 at the latest, the Commission shall present a review of the functioning of the Multiannual Financial Framework 2014-2020 taking full account of the economic situation at that time as well as the latest macroeconomic projections. This compulsory review shall, as appropriate, be accompanied by a legislative proposal for the revision of this regulation in accordance with the procedures enshrined in the Treaty. Without prejudice to Article 5, preallocated national envelopes shall not be reduced through such a revision.

Article 2
Compliance with the ceilings of the financial framework

1. The European Parliament, the Council and the Commission shall comply with the annual expenditure ceilings, set out in the financial framework, during each budgetary procedure and when implementing the budget for the year concerned.

The sub-ceiling for Heading 2 as included in the Annex is established notwithstanding the flexibility between the two pillars of the Common Agricultural Policy (CAP). The adjusted ceiling to be applied to the pillar I of the CAP following the transfers between the European Agricultural Fund for Rural Development and direct payments will be laid down in the relevant legal act¹ and the financial framework will be adjusted accordingly under the technical adjustment foreseen under Article 4(1) of the present Regulation.

¹ Commission Regulation xxxx

2. Special instruments provided for in Articles 9a to 9g ensure the flexibility of the financial framework and are laid down in order to allow the budget procedure to run smoothly. The commitment appropriations may be entered in the budget over and above the ceilings of the relevant headings laid down in the financial framework where it is necessary to use the resources from the Emergency Aid Reserve, the European Union Solidarity Fund, the Flexibility Instrument, the European Globalisation Adjustment Fund, the Contingency Margin, the specific flexibility to tackle youth unemployment and strengthen research and the global margin for commitments for growth and employment, in particular youth employment, in accordance with Council Regulation (EC) No 2012/2002¹, Regulation (EC) No 1927/2006 of the European Parliament and of the Council² and the Interinstitutional Agreement of [...] 201x on cooperation in budgetary matters and sound financial management (hereinafter the Interinstitutional Agreement).
3. Where a guarantee for a loan covered by the Union's budget according to Regulation (EC) No 332/2002 or Regulation (EU) No 407/2010 needs to be mobilised, it shall be over and above the ceilings laid down in the financial framework.

Article 3

Respect of own resources ceiling

1. For each of the years covered by the financial framework, the total appropriations for payments required, after annual adjustment and taking account of any other adjustments and revisions as well as the application of paragraphs 2 and 3 of Article 2, may not be such as to produce a call-in rate for own resources that exceeds the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom].
2. Where necessary, the ceilings set in the financial framework shall be lowered in order to ensure compliance with the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom].

¹ OJ L 311, 14.11.2002, p. 3.

² OJ L 406, 30.12.2006, p. 1.

Article 3a
Global margin for payments

1. Every year, starting in 2015, as part of the technical adjustment referred to in Article 4, the Commission will adjust the payment ceiling for the years 2015-2020 upwards by an amount equivalent to the difference between the executed payments and the MFF payment ceiling of the year n-1.

2. The annual adjustments shall not exceed the following maximum amounts (in 2011 prices) for the years 2018-2020 as compared to the original payment ceiling of the relevant years :
2018: EUR 7 billion
2019: EUR 9 billion
2020: EUR 10 billion

3. Any upward adjustment shall be fully offset by a corresponding reduction of the payment ceiling for year n-1.

Article 4
Technical adjustments

1. Each year the Commission, acting ahead of the budgetary procedure for year n+1, shall make the following technical adjustments to the financial framework:
 - (a) revaluation, at year n+1 prices, of the ceilings and of the overall figures for appropriations for commitments and appropriations for payments;
 - (b) calculation of the margin available under the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom];
 - (c) calculation of the absolute amount of the Contingency Margin provided for in Article 9e;
 - (d) calculation of the global margin for payments provided for in Article 3a;
 - (e) calculation of the global margin for commitments provided for in Article 9g.
2. The Commission shall make the technical adjustments referred to in paragraph 1 on the basis of a fixed deflator of 2% a year.
3. The Commission shall communicate the results of the technical adjustments referred to in paragraph 1 and the underlying economic forecasts to the European Parliament and the Council.
4. Without prejudice to Article 6, no further technical adjustments may be made in respect of the year concerned, either during the year or as ex-post corrections during subsequent years.

Article 5

Adjustment of cohesion policy envelopes

1. To take account of the particularly difficult situation of countries suffering from the crisis, in 2016, the Commission shall, in its technical adjustment for the year 2017, review all Member States' total allocations under the "Investment for growth and jobs" goal of cohesion policy for the years 2017 to 2020, applying the allocation method defined in the relevant basic act on the basis of the then available most recent statistics and of the comparison, for the capped Member States, between the cumulated national GDP observed for the years 2014 and 2015 and the cumulated national GDP estimated in 2012. It will adjust these total allocations whenever there is a cumulative divergence of more than +/- 5%.
3. The required adjustments shall be spread in equal proportions over the years 2017-2020 and the corresponding ceilings of the financial framework shall be modified accordingly. The payment ceilings shall be modified accordingly to ensure an orderly progression in relation to the appropriations for commitments.
4. In its technical adjustment for the year 2017, following the mid-term review of the eligibility of Member States for the Cohesion Fund foreseen in Article [82(5)] of Regulation laying down common provisions on the [CSF Funds], in case a Member State either becomes newly eligible to the Cohesion Fund or loses existing eligibility, the Commission shall add or subtract the resulting amounts to or from the funds allocated to the Member State for the years 2017 to 2020.
5. The required adjustments resulting from point 4 shall be spread in equal proportions over the years 2017-2020 and the corresponding ceilings of the financial framework shall be modified accordingly. The payment ceilings shall be modified accordingly to ensure an orderly progression in relation to the appropriations for commitments.

6. The total net effect, whether positive or negative, of the adjustments referred to in paragraphs 1 and 4 may not exceed EUR 4 billion.

Article 6

Adjustments related to macroeconomic conditionalities linked to the coordination of Member States' economic policies

In the case of the lifting by the Commission of a suspension of budgetary commitments concerning the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development or the European Maritime and Fisheries Fund in the context of macroeconomic conditionalities linked to the coordination of Member States' economic policies, the Commission, in accordance with the relevant basic act, shall transfer the suspended commitments to the following years. Suspended commitments of year n may not be re-budgeted beyond year $n+3$.

Article 7

Revision related to implementation

When notifying the European Parliament and the Council of the results of the technical adjustments to the financial framework, the Commission shall present any proposals to revise the total appropriations for payments which it considers necessary, in the light of implementation, to ensure a sound management of the yearly payments ceilings and, in particular, their orderly progression in relation to the appropriations for commitments. The decisions on those proposals shall be taken before 1 May of year n .

Article 8

Revision following new rules or programmes for Structural Funds, Cohesion Fund, the European Agricultural Fund for Rural Development, the European Maritime and Fisheries Fund, the Asylum and Migration Fund and the Internal Security Fund

1. In the case of adoption after 1 January 2014 of new rules or programmes under shared management for the Structural Funds, the Cohesion Fund, the European Agricultural Fund for Rural Development, the European Maritime and Fisheries Fund, the Asylum and Migration Fund and the Internal Security Fund, the financial framework shall be revised in order to transfer to subsequent years, in excess of the corresponding expenditure ceilings, allocations not used in 2014.
2. The revision concerning the transfer of unused allocation for the year 2014 shall be adopted before 1 May 2015.

Article 9

Revision of the financial framework

1. In case of unforeseen circumstances the financial framework may be revised in compliance with the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom].
 - 1a. As a general rule, any proposal for revision referred to in paragraph 1 shall be presented and adopted before the start of the budgetary procedure for the year or the first of the years concerned.
2. Any proposal for revision of the financial framework in accordance with paragraph 1 shall examine the scope for reallocating expenditure between the programmes covered by the heading concerned by the revision, with particular reference to any expected under-utilisation of appropriations. The objective should be that a significant amount, in absolute terms and as a percentage of the new expenditure planned, shall be within the existing ceiling for the heading.

3. Any revision of the financial framework in accordance with paragraph 1 shall take into account the scope for offsetting any raising of the ceiling for one heading by the lowering of the ceiling for another.
4. Any revision of the financial framework in accordance with paragraph 1 shall maintain an appropriate relationship between commitments and payments.
5. Adjustments referred to in Article 3(2), 7, 8, 10, 11, 11a and 16 also constitute a revision of the financial framework.

SPECIAL INSTRUMENTS

Article 9a

Emergency Aid Reserve

1. The Emergency Aid Reserve is intended to allow for a rapid response to specific aid requirements of third countries following events which could not be foreseen when the budget was established, first and foremost for humanitarian operations, but also for civil crisis management and protection, and situations of particular pressure resulting from migratory flows at the Union's external borders where circumstances so require.
2. The annual amount of the Reserve is fixed at EUR 280 million (2011 prices) and can be used up to year n+1 in accordance with the Financial Regulation. The Reserve is entered in the general budget of the European Union as a provision. The portion of the annual amount stemming from previous years shall be drawn on first, in order of age. The portion of the annual amount from year n which is not used in year n+1 shall lapse.

Article 9b
European Union Solidarity Fund

1. The European Union Solidarity Fund is intended to allow financial assistance in the event of major disasters occurring on the territory of a Member State or of a candidate country, as defined in the relevant basic act. There shall be a ceiling on the annual amount available for the Fund of EUR 500 million (2011 prices). On 1 October each year, at least one quarter of the annual amount shall remain available in order to cover needs arising until the end of the year. The portion of the annual amount not entered in the budget may be used up to year n+1. The portion of the annual amount stemming from the previous year shall be drawn on first, in order of age. The portion of the annual amount from year n which is not used in year n+1 shall lapse.

2. In exceptional cases and if the remaining financial resources available in the Fund in the year of occurrence of the disaster, as defined in the relevant basic act, are not sufficient to cover the amount of assistance considered necessary by the budgetary authority, the Commission may propose that the difference be financed through the annual amounts available for the following year.

Article 9c
Flexibility instrument

1. The Flexibility Instrument with an annual ceiling of EUR 471 million (2011 prices) is intended to allow the financing, for a given financial year and up to the amount indicated, of clearly identified expenditure which could not be financed within the limits of the ceilings available for one or more other headings.

2. The annual amount of the Flexibility Instrument may be used up to year n+3. The portion of the annual amount stemming from previous years shall be used first, in order of age. The portion of the annual amount from year n which is not used in year n+3 shall lapse.

Article 9d
European Globalisation Adjustment Fund

1. The European Globalisation Adjustment Fund, the objectives and scope of which are defined in the Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020), may not exceed a maximum annual amount of EUR 150 million (2011 prices).
2. The appropriations shall be entered in the general budget of the European Union as a provision.

Article 9e
Contingency Margin

1. A Contingency Margin of up to 0,03 % of the Gross National Income of the Union shall be constituted outside the ceilings of the financial framework for the period 2014-2020, as a last-resort instrument to react to unforeseen circumstances. It may be mobilised only in relation to an amending or annual budget.
2. Recourse to the Contingency Margin shall not exceed, at any given year, the maximum amount foreseen in the annual technical adjustment of the MFF and shall be consistent with the own resources ceiling.
3. Amounts made available through the mobilisation of the Contingency Margin shall be fully offset against the margins in one or more financial framework headings for the current or future financial years.
4. The amounts thus offset shall not be further mobilised in the context of the multiannual financial framework. Recourse to the Contingency Margin shall not result in exceeding the total ceilings of commitment and payment appropriations laid down therein for the current and future financial years.

Article 9f

Specific flexibility to tackle youth unemployment and strengthen research

Up to EUR 2 543 million ¹(in 2011 prices) may be frontloaded in 2014 and 2015, as part of the annual budgetary procedure, for specified policy objectives relating to youth employment, research, ERASMUS in particular for apprenticeships, and SMEs. These amounts shall be fully offset against appropriations within and/or between headings in order to leave unchanged the total annual ceilings for the period 2014-2020 and the total allocation per heading or sub-heading over the period.

Article 9g

Global margin for growth and employment, in particular youth employment

1. Margins left available below the MFF ceilings for commitment appropriations for the years 2014-2017 shall constitute a Global MFF margin for commitments, to be made available over and above the ceilings established in the Annex for the years 2016 to 2020 for policy objectives related to growth and employment, in particular youth employment.
2. Each year, as part of the technical adjustment provided for in Article 4, the Commission shall calculate the amount available. The Global margin or part thereof may be mobilised by the budgetary authority in the framework of the budgetary procedure pursuant to Article 314 TFEU.

Article 10

Revision of the financial framework in case of a revision of the Treaties

Should a revision of the Treaties with budgetary implications occur during the financial framework, the financial framework shall be revised accordingly.

¹ Note to Article 9f: The Institutions agree to use this amount as follows: EUR 2143 million for Youth Employment, EUR 200 million for Horizon 2020, EUR 150 million for Erasmus and EUR 50 million for COSME.

Article 11

Revision of the financial framework in case enlargement

If new Member States accede to the Union during the period covered by the financial framework, the financial framework shall be revised to take account of the expenditure requirements resulting from the outcome of the accession negotiations.

Article 11a

Revision of the financial framework in case of reunification of Cyprus

In case of reunification of Cyprus during the period covered by the financial framework, the latter shall be revised to take account of the comprehensive settlement of the Cyprus problem and the additional financial needs resulting from reunification.

Article 12

Interinstitutional cooperation in the budgetary procedure

The European Parliament, the Council and the Commission (hereinafter the institutions) shall take any measures to facilitate the annual budgetary procedure.

The institutions shall cooperate in good faith throughout the procedure with a view to reconciling their positions. The institutions shall cooperate through appropriate interinstitutional contacts to monitor the progress of the work and analyse the degree of convergence at all stages of the procedure.

The institutions shall ensure that their respective calendars of work are coordinated as far as possible in order to enable proceedings to be conducted in a coherent and convergent fashion, leading to the final adoption of the budget.

Trilogues may be held at all stages of the procedure and at different levels of representation, depending on the nature of the expected discussion. Each institution, in accordance with its own rules of procedure, shall designate its participants for each meeting, define its mandate for the negotiations and inform the other institutions of arrangements for the meetings in good time.

Article 13

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Article 14

Contribution to the financing of large scale projects

1. A maximum amount of EUR 6 300 million (in 2011 prices) shall be available for the European satellite navigation programmes (EGNOS and Galileo) from the EU budget for the period 2014-2020.
2. A maximum amount of EUR 2 707 million (in 2011 prices) shall be available for the International Thermonuclear Experimental Reactor project (ITER) from the EU budget for the period 2014-2020.
3. A maximum amount of EUR 3 786 million (in 2011 prices) shall be available for the European Earth Monitoring Programme Copernicus from the EU budget for the period 2014-2020.

Article 14a

Unity of the budget

All expenditure and revenue of the Union and Euratom shall be included in the EU budget in accordance with article 7 of the Financial regulation, including expenditure resulting from any relevant decision taken unanimously by the Council after consulting the European Parliament, in the framework of Article 332 TFEU.

Article 15

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Article 16

Transition towards the next financial framework

Before 1 January 2018, the Commission shall present a proposal for a new multiannual financial framework.

If no Council regulation determining a new multiannual financial framework has been adopted before 31 December 2020, the ceilings and other provisions corresponding to the last year of the financial framework shall be extended until a regulation determining a new financial framework is adopted. If new Member States accede to the Union after 2020, the extended financial framework shall, if necessary, be adjusted in order to take into account the results of accession negotiations.

Article 17

Entry into force

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at ...,

For the Council

The President

MULTIANNUAL FINANCIAL FRAMEWORK (EU-28)

(EUR million - 2011 prices)

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
1. Smart and Inclusive Growth	60 283	61 725	62 771	64 238	65 528	67 214	69 004	450 763
1a: Competitiveness for growth and jobs	15 605	16 321	16 726	17 693	18 490	19 700	21 079	125 614
1b: Economic, social and territorial cohesion	44 678	45 404	46 045	46 545	47 038	47 514	47 925	325 149
2. Sustainable Growth: Natural Resources	55 883	55 060	54 261	53 448	52 466	51 503	50 558	373 179
of which: Market related expenditure and direct payments	41 585	40 989	40 421	39 837	39 079	38 335	37 605	277 851
3. Security and citizenship	2 053	2 075	2 154	2 232	2 312	2 391	2 469	15 686
4. Global Europe	7 854	8 083	8 281	8 375	8 553	8 764	8 794	58 704
5. Administration	8 218	8 385	8 589	8 807	9 007	9 206	9 417	61 629
of which: Administrative expenditure of the institutions	6 649	6 791	6 955	7 110	7 278	7 425	7 590	49 798
6. Compensations	27	0	0	0	0	0	0	27
TOTAL COMMITMENT APPROPRIATIONS	134 318	135 328	136 056	137 100	137 866	139 078	140 242	959 988
as a percentage of GNI	1.03%	1.02%	1.00%	1.00%	0.99%	0.98%	0.98%	1.00%
TOTAL PAYMENT APPROPRIATIONS	128 030	131 095	131 046	126 777	129 778	130 893	130 781	908 400
as a percentage of GNI	0.98%	0.98%	0.97%	0.92%	0.93%	0.93%	0.91%	0.95%
Margin available	0.25%	0.25%	0.26%	0.31%	0.30%	0.30%	0.32%	0.28%
Own Resources Ceiling as a percentage of GNI	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%