



**COUNCIL OF
THE EUROPEAN UNION**



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Council approves MFF agreement

The Permanent Representatives Committee¹ approved today, on behalf of the Council, an agreement reached with the European Parliament on the draft regulation laying down the EU's multiannual financial framework (MFF) for 2014-2020 and the interinstitutional agreement (IIA) on budgetary discipline and sound financial management ([11655/13](#) + [11298/13](#) + [11658/13](#) + [11698/13](#)).

This followed the European Council's unanimous backing of the package on 27 June.

The agreement, which was reached between the Irish presidency and representatives of the European Parliament and the Commission on 27 June, confirmed the expenditure ceilings agreed by the European Council on 8 February. This means that the EU will be able to spend up to EUR 959.99 billion in commitments and EUR 908.40 billion in payments in the next seven years. A particular effort is made to boost growth and create jobs by increasing the expenditure ceiling for sub-heading 1a ("competitiveness") by more than 37% compared to the current MFF covering the years 2007-2013.

The draft MFF regulation and the draft IIA also address the following four issues raised by the European Parliament:

1. Flexibility

This is to ensure that the EU can fulfil its obligations and cope with unforeseen budgetary needs in spite of limited financial resources:

¹ The Permanent Representatives Committee is composed of the ambassadors of the 27 EU member states. Its role is to prepare decisions of the Council.

P R E S S

- Starting in 2015, the unused margins¹ under the payment ceiling of the previous year will be carried over to the following years, subject to limits in the last three years of the MFF (2018: EUR 7 billion, 2019: EUR 9 billion, 2020: EUR 10 billion). The payment ceiling of the years in which the unused margins arise will be cut accordingly in order to leave the overall ceiling unchanged.
- A number of new special instruments are set up outside the multiannual financial framework, in addition to the existing ones²:
 - flexibility to tackle youth unemployment: up to EUR 2.143 billion (in 2011 prices) would be frontloaded in 2014 and 2015 to tackle youth unemployment, meaning that the whole EUR 6 billion for the youth employment initiative would be committed in the first two years of the MFF; the frontloaded amount would have to be fully offset against appropriations within and/or between headings.
 - flexibility to strengthen research: up to EUR 400 million (in 2011 prices) would be frontloaded in 2014 and 2015 for research, Erasmus and SMEs; the frontloaded amount would have to be fully offset against appropriations within and/or between headings.
 - global margin for commitments for growth and employment: this is for policy objectives related to growth and employment, in particular youth employment in the years 2016-2020; it is financed by the margins left available below the MFF ceiling for commitments in the years 2014-2017.
 - aid for the most deprived: in order to maintain the current level of funding for this programme member states may decide to increase their allocation by up to EUR 1 billion on a voluntary basis, in addition to the EUR 2.5 billion already agreed.
 - contingency margin: this is a last resort instrument to react to unforeseen circumstances and amounts to 0.03% of the EU's gross national income; any amounts made available would be fully offset against the margins for the current or future financial years

¹ Unused margins refer to the difference between the payment ceilings and the executed payments in a given year.

² These are the emergency aid reserve, the flexibility instrument, the solidarity fund and the globalisation adjustment fund.

2. Review/revision

A review of the MFF would take place in 2016 at the latest, allowing the newly elected European Parliament, the Council and the Commission to reassess the priorities for the remaining years of the financial framework. For the next MFF the Commission would have to present a proposal before 1 January 2018 and examine aligning it with the political cycles of the institutions.

3. Unity of the budget

All expenditure and revenue of the EU and Euratom will have to be included in the EU budget.

4. Own resources

A high-level group, composed of members appointed by the Council, the European Parliament and the Commission will be convened in order to undertake a general review of the own resources system. Its work will be guided by the overall objectives of simplicity, transparency, equity and democratic accountability. The group will meet at least once every six months and provide a first assessment at the end of 2014. National parliaments will be invited to an inter-institutional conference in 2016 to assess the outcome of the group's work. On the basis of the results of this work, the Commission will assess whether new own resource initiatives are appropriate for the period after 2020.

The European Parliament is expected to take its position on the agreement next week before the texts are finalised by the lawyer-linguists. In order to enter into force the MFF regulation then needs to receive the formal consent of the European Parliament and be adopted by the Council. The IIA requires the formal approval of the three institutions involved, i.e. the Council, the European Parliament and the Commission.

The agreement on the MFF regulation and the IIA enables the Council and the European Parliament to finalise their legislative work on around 70 sector-specific spending programmes (for agriculture, environment, research, transport and many other policy fields).