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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Technical adjustment of the financial framework for 2015 in line with movements in GNI

(Article 6 of Council Regulation No 1311/2013 laying down the multiannual financial framework for the years 2014-2020)

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1. INTRODUCTION

Council Regulation No 1311/2013 laying down the multiannual financial framework for the years 2014-2020[1] (MFF Regulation) contains the financial framework table for EU-28 for the period 2014-2020, expressed in 2011 prices (Table 1).

According to Article 6(1) of the MFF Regulation, the Commission makes each year, ahead of the budgetary procedure for year n+1, a technical adjustment to the financial framework in line with movements in the EU's gross national income (GNI) and prices and communicates the results to the two arms of the budgetary authority. As far as prices are concerned, expenditure ceilings at current prices are established using the fixed 2% deflator as provided for in Article 6(2) of the MFF Regulation. As far as movements in GNI are concerned, the present Communication includes the latest economic forecasts available.

At the same time the Commission shall calculate the margin available under the own-resources ceiling set in accordance with Decision 2007/436/EC, Euratom, the absolute amount of the Contingency Margin provided for in Article 13, the global margin for payments provided for in Article 5, and the global margin for commitments provided for in Article 14 of the MFF Regulation. In addition, according to Article 3(1) of the MFF Regulation, the sub-ceiling for heading 2 concerning market related expenditure and direct payments shall be adjusted following the transfers between pillar I and rural development in accordance with the legal act establishing these transfers.

The purpose of this communication is to present to the budgetary authority the result of the technical adjustments (EU-28) for 2015 according to Article 6 of the MFF Regulation.

2. TERMS OF THE ADJUSTMENT OF THE FINANCIAL FRAMEWORK TABLE (TABLES 1-2)

Table 1 shows the financial framework for EU-28 in 2011 prices as included in Annex I of the MFF Regulation.

Table 2 shows the financial framework for EU-28 adjusted for 2015 (i.e. in current prices). The financial framework expressed in percentage of GNI is updated with the latest economic forecasts available (Spring 2014) and long-term projections.

[1] OJ L 347, 20.12.2013, p. 884.

2.1. Total figure for GNI

According to the latest forecast available, the GNI for 2015 is established at EUR 13 918 050 million in current prices for EU-28.

2.2. Main results of the technical adjustment of the Financial Framework for 2015

The overall ceiling for commitment appropriations for 2015 (EUR 146 483 million) equals 1.05 % of GNI.

The corresponding overall ceiling concerning the payment appropriations (EUR 141 901 million) equals 1.02 % of GNI. On the basis of the latest economic forecasts, this leaves a margin beneath the 1.23 % own resources ceiling of EUR 29 291 million (0.21 % of GNI for EU-28).

2.3. Adjustment of the sub-ceiling for Heading 2

According to Article 3(1) of the MFF Regulation, the sub-ceiling for heading 2 of in total EUR 312 735 million for market related expenditure and direct payments in the period 2014 to 2020 shall be adjusted following the transfers between pillar I and rural development in accordance with the legal act establishing these transfers.

The amounts made available to the European Agricultural Fund for Rural Development (EAFRD), as set out in the Commission Implementing Regulation No 367/2014[2], consist of the following elements (see table below):

(1) The voluntary adjustment fixed in Commission Implementing Decision 2013/146/EU pursuant to Article 10b of Regulation (EC) No 73/2009, to be added to the annual breakdown of Union support to rural development in accordance with Article 10c(2) of the same Regulation. The Commission Implementing Decision fixes this amount at EUR 296.3 million in the United Kingdom for financial year 2014.

(2) The amounts to be transferred to the EAFRD in accordance with Articles 136 and 136b of Regulation (EC) No 73/2009 for Germany and Sweden of in total EUR 51.6 million each year for financial year 2014 and 2015 ('unspent amounts').

(3) The amounts to be transferred to the EAFRD in accordance with Article 66(1) of Regulation (EU) No 1307/2013. Greece will transfer EUR 4 million annually from 2014 ('EL cotton').

This first set of transfers reduces the net balance available for European Agricultural Guarantee Fund (EAGF) expenditure by EUR 427.5 million in 2014-2020 and the MFF sub-ceiling for market related expenditure and direct payments needs to be adjusted from EUR 312 735 million to EUR 312 309 million as shown in the table below.

[2] Commission Implementing Regulation (EU) No 367/2014 of 10 April 2014 setting the net balance available for EAGF expenditure (OJ L 108, 11.4.2014, p. 13)

First adjustment of sub-ceiling for market related expenditures and direct payments for transfer between pillars

(in million EUR - current prices)

	2014	2015	2016	2017	2018	2019	2020	2014-2020
Initial H2 sub-ceiling	44 130.000	44 368.000	44 628.000	44 863.000	44 889.000	44 916.000	44 941.000	312 735.000
First net transfer from P1 to P2	- 351.900	- 55.600	- 4.000	- 4.000	- 4.000	- 4.000	- 4.000	- 427.500
voluntary adjustment	*- 296.300*							*- 296.300*
unspent amounts	*- 51.600*	*- 51.600*						*- 103.200*
EL cotton	*- 4.000*	*- 4.000*	*- 4.000*	*- 4.000*	*- 4.000*	*- 4.000*	*- 4.000*	*- 28.000*
EAGF net balance after 1st transfer	43 778.100	44 312.400	44 624.000	44 859.000	44 885.000	44 912.000	44 937.000	312 307.500
H2 sub-ceiling after 1st transfer	43 779.000	44 313.000	44 624.000	44 859.000	44 885.000	44 912.000	44 937.000	312 309.000
Rounding difference	*0.900*	*0.600*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*1.500*

In addition, a second set of transfers between pillar I and rural development has been decided which is not yet reflected in the respective Commission Implementing Regulation. Following the notifications made by Member States by 31 December 2013 on flexibility between pillars in accordance with Article 14 of Regulation (EU) No 1307/2013, the total transfer of the amounts from the direct payments ceilings to rural development programming for the financial years 2015-2020 is EUR 3 884.380 million, while the total transfer of the amounts from rural development programming for the financial years 2015-2020 to direct payments ceilings is EUR 2 988.507 million.

However, these figures are only preliminary. This second adjustment to the H2 sub-ceiling can only be implemented in 2015 (in the technical adjustment for 2016) after the amendment to Commission Implementing Regulation setting the net balance available for the EAGF comes into force[3]. At that time further adjustments related to the flexibility between pillars might be taken into account following the second notification deadline on 1 August 2014.

The modification of the H2 sub-ceiling in current prices needs to be translated into 2011 prices in order to technically adjust the MFF table in 2011 prices.

For this purpose the EAGF net balance is first transformed into 2011 prices by using the 2% fixed deflator. This is then rounded up to obtain the adjusted H2 sub-ceiling as the MFF ceilings are only expressed in million of Euros. Only with this rounding-up procedure it can be ensured that the MFF sub-ceiling is always higher than the net balance available for EAGF expenditure. The resulting small difference does not constitute an available margin, but is exclusively arising from the rounding operation as all figures in the MFF table needs to be expressed in million of Euros. For each annual budget, the Commission will use the exact amounts of the net balance available for EAGF expenditure as it was already the case for budget 2014.

[3] Commission Delegated Regulation (EU) No xxx/xxxx of 13 May 2014 amending Annexes VIII and VIIIc to Council Regulation (EC) No 73/2009, Annex I to Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Annexes II, III and VI to Regulation (EU) No 1307/2013 of the European Parliament and of the Council (C(2014)3006) was sent to the EP and the Council. Both institutions have a scrutiny period of minimum 2 months to object. Only after that scrutiny period, the Commission will be able to adopt an amending Commission Implementing Regulation setting the net balance available for EAGF expenditure. The flexibility between pillars notified on the 31 December 2013 will be already taken into account for the Draft budget 2015.

Sub-ceiling for market related expenditures and direct payments after transfer in current and 2011 prices

	2014	2015	2016	2017	2018	2019	2020	2014-2020
	- in current prices -							
Initial H2 sub-ceiling	44 130.000	44 368.000	44 628.000	44 863.000	44 889.000	44 916.000	44 941.000	312 735.000
EAGF net balance after 1st transfer	43 778.100	44 312.400	44 624.000	44 859.000	44 885.000	44 912.000	44 937.000	312 307.500
H2 sub-ceiling after 1st transfer	43 779.000	44 313.000	44 624.000	44 859.000	44 885.000	44 912.000	44 937.000	312 309.000
Difference to initial sub-ceiling	*- 351.000*	*- 55.000*	*- 4.000*	*- 4.000*	*- 4.000*	*- 4.000*	*- 4.000*	*- 426.000*
Annual deflator	**1.0612**	**1.082**	**1.104**	**1.126**	**1.149**	**1.172**	**1.195**	
	- in 2011 prices -							
Initial H2 sub-ceiling	41 585.000	40 989.000	40 421.000	39 837.000	39 079.000	38 335.000	37 605.000	277 851.000
EAGF net balance after 1st transfer	41 253.081	40 937.808	40 417.332	39 833.508	39 075.094	38 331.960	37 601.271	277 450.054
H2 sub-ceiling after 1st transfer	41 254.000	40 938.000	40 418.000	39 834.000	39 076.000	38 332.000	37 602.000	277 454.000
Difference to initial sub-ceiling	*- 331.000*	*- 51.000*	*- 3.000*	*- 3.000*	*- 3.000*	*- 3.000*	*- 3.000*	*- 397.000*

3. GLOBAL MARGIN FOR PAYMENTS

According to Article 5 of the MFF Regulation, 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. Any upward adjustment shall be fully offset by a corresponding reduction of the payment ceiling for year n-1.

This adjustment will be done for the first time in 2015 (in the technical adjustment for 2016).

4. SPECIAL INSTRUMENTS

A number of instruments are available outside expenditure ceilings agreed in the financial framework 2014-2020. These instruments aim at providing rapid response to exceptional or unforeseen events, and provide some flexibility beyond the agreed expenditure ceilings within certain limits:

4.1. Emergency Aid Reserve

According to Article 9 of the MFF Regulation, the *Emergency Aid reserve* can be mobilised up to a maximum amount of EUR 280 million per year in 2011 prices, or EUR 303 million in 2015 at current prices (EUR 2 209 million for the whole period in current prices). The portion of the unused amount of the previous year can be carried over.

4.2. European Union Solidarity Fund

According to Article 10 of the MFF Regulation, the *EU Solidarity Fund* can be mobilised up to a maximum amount of EUR 500 million per year in 2011 prices, or EUR 541 million in 2015 at current prices (EUR 3 945 million for the whole period in current prices). The portion of the unused amount of the previous year can be carried over.

4.3. Flexibility Instrument

According to Article 11 of the MFF Regulation, the *Flexibility Instrument* can be mobilised up to a maximum annual amount of EUR 471 million in 2011 prices, or EUR 510 million in 2015 in current prices (EUR 3 716 million for the whole period in current prices). The portion of the unused annual amounts of the previous 3 years may be carried over.

4.4. European Globalisation Adjustment Fund

According to Article 12 of the MFF Regulation, the *European Globalisation Adjustment Fund* can be mobilised up to a maximum of EUR 150 million per year in 2011 prices, or EUR 162 million in 2015 in current prices (EUR 1 183 million for the whole period in current prices).

4.5. Contingency Margin

According to Article 13 of the MFF Regulation, 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.

The absolute amount of the Contingency Margin for the year 2015 is EUR 4 175.4 million.

4.6. Global margin for commitments for growth and employment, in particular youth employment

According to Article 14 of the MFF Regulation, 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 of the MFF Regulation for the years 2016 to 2020 for policy objectives related to growth and employment, in particular youth employment. The Commission shall calculate the amount available.

The Global MFF Margin for commitments will be calculated for the first time in 2015 (in the technical adjustment for 2016).