



Institute for European  
Environmental Policy

# **EU MFF 2014-2020: Challenges and Opportunities**

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# Outline of content

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EU budget: some basics

EC proposals for 2014-2020 MFF

Positioning of key institutions and stakeholders

Policy process and timeline

Key issues

# Basics of the EU budget

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- **Historical developments**

- Negotiations dominated by entrenched spending, '*juste retour*' attitude, UK rebate etc.
  - Incremental changes over time
  - EU budget is limited in size

- **Key principles**

- EU value added
  - Proportionality and flexibility
  - Sound financial management

- **Key functions**

- Finance common policies
  - Express solidarity
  - Complete the internal market
  - Respond to persistent and emerging challenges, of cross – border nature
  - Leverage private financing

# Budgetary system



## *Revenue*

- EU own resources
  - ✓ Traditional own resources (sugar levies, customs duties)
  - ✓ VAT-based resources
  - ✓ GNI-based based resources
- Own resources ceiling: 1.24% of the Union's GNI.

## *Expenditure*

- 7-year Multi-annual Financial Frameworks (MFF)
  - ✓ Lays down maximum amounts (ceilings) for each broad category of expenditure (heading)
  - ✓ Aim to keep the EU budget within own resources
- Annual budgets

# Legal basis (after Lisbon)

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## Treaties

- ✓ TFEU (articles 310 – 324)

## Legislation

- ✓ Decision on the system of own resources
- ✓ Regulation on the new financial framework
- ✓ Financial Regulation

## Agreement between EU institutions

- ✓ Inter-institutional agreement

# Outline of content

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EU budget: some basics

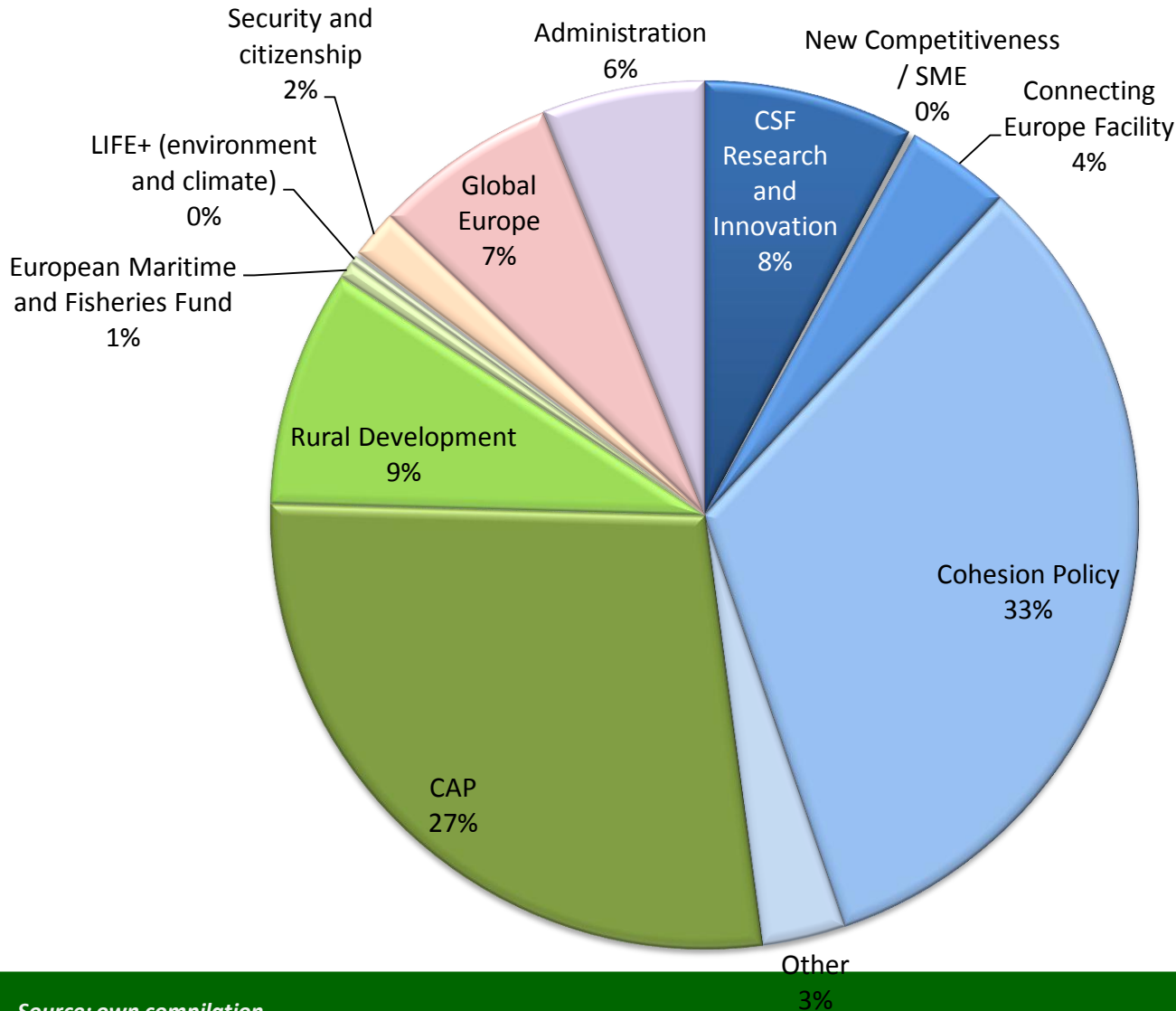
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# Proposed 2014-2020 MFF



**TOTAL = 1 025 billion**  
**1.05% of GNI**

- Heading 1: Smart and incl. growth
- Heading 2: Sustainable growth
- Heading 3: Security and citizenship
- Heading 4: Global Europe
- Heading 5: Administration

## 2014-2020 MFF, Headings 1 And 2 (in commitments)

2011 prices	2013	2014	2015	2016	2017	2018	2019	2020	2014-2020
<b>HEADING 1 Smart and Inclusive Growth</b>									
Galileo	2	1.100	1.100	900	900	700	900	1.400	7.000
Nuclear safety + decommissioning	279	134	134	134	134	55	55	55	700
✓ CSF research and innovation	9.768	10.079	10.529	10.979	11.429	11.879	12.329	12.776	✓ 80.000
New Competitiveness/SME	177	235	270	305	340	375	410	445	2.380
Single Education, Training, Youth and Sport	1.305	1.423	1.673	1.923	2.173	2.423	2.673	2.923	15.210
Social development agenda	119	121	121	121	121	121	121	124	850
Customs-Fiscalis-Anti Fraud	107	120	120	120	120	120	120	120	840
Agencies	258	237	291	290	291	265	326	331	2.030
Other	308	267	267	267	267	267	267	267	1.868
Margin	49	513	533	553	573	593	613	633	4.009
Energy	22	973	1.233	1.033	1.173	1.303	1.503	1.903	9.121
Transport	1.552	2.299	2.499	2.899	3.099	3.499	3.699	3.700	21.694
ICT	3	642	782	1.182	1.442	1.512	1.712	1.913	9.185
✓ Connecting Europe Facility	1.577	3.914	4.514	5.114	5.714	6.314	6.914	7.516	✓ 40.000
↑ Regional convergence	30.692	22.032	22.459	22.836	23.227	23.631	24.012	24.393	162.590
Transition regions	1.963	5.549	5.555	5.560	5.565	5.570	5.574	5.579	38.952
Competitiveness	6.314	7.592	7.592	7.592	7.592	7.592	7.592	7.592	53.143
Territorial cooperation	1.304	1.671	1.671	1.671	1.671	1.671	1.671	1.671	11.700
€10 b Cohesion fund	11.885	9.577	9.620	9.636	9.708	9.888	10.059	10.222	68.710
Outermost and sparsely populated regions	249	132	132	132	132	132	132	132	926
✓ Cohesion policy	52.406	46.554	47.029	47.428	47.895	48.484	49.041	49.589	✓ 336.020
<b>H1 TOTAL</b>	<b>66.354</b>	<b>64.696</b>	<b>66.580</b>	<b>68.133</b>	<b>69.956</b>	<b>71.596</b>	<b>73.768</b>	<b>76.179</b>	<b>490.908</b>
<b>HEADING 2 Sustainable Growth: natural resources</b>									
✓ Subceiling CAP (direct payments + market expenditures)	43.515	42.244	41.623	41.029	40.420	39.618	38.831	38.060	✓ 281.825
✓ Rural Development	13.890	13.618	13.351	13.089	12.832	12.581	12.334	12.092	✓ 89.895
✓ EMFF (incl. market measures) + FPA's + RFMO's	984	945	950	955	955	960	960	960	✓ 6.685
✓ Environment and climate action (Life+)	362	390	415	440	465	490	515	485	✓ 3.200
Agencies	49	49	49	49	49	49	49	49	344
Margin	230	140	140	140	140	140	140	139	979
<b>H2 TOTAL</b>	<b>59.031</b>	<b>57.386</b>	<b>56.527</b>	<b>55.702</b>	<b>54.861</b>	<b>53.837</b>	<b>52.829</b>	<b>51.784</b>	<b>382.927</b>

**MULTIANNUAL FINANCIAL FRAMEWORK (EU-27)**

*(EUR million - 2011 prices)*

<b>COMMITMENT APPROPRIATIONS</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total 2014-2020</b>
<b>1. Smart and Inclusive Growth</b>	<b>64.696</b>	<b>66.580</b>	<b>68.133</b>	<b>69.956</b>	<b>71.596</b>	<b>73.768</b>	<b>76.179</b>	<b>490.908</b>
of which: Economic, social and territorial cohesion	50.468	51.543	52.542	53.609	54.798	55.955	57.105	376.020
<b>2. Sustainable Growth: Natural Resources</b>	<b>57.386</b>	<b>56.527</b>	<b>55.702</b>	<b>54.861</b>	<b>53.837</b>	<b>52.829</b>	<b>51.784</b>	<b>382.927</b>
of which: Market related expenditure and direct payments	42.244	41.623	41.029	40.420	39.618	38.831	38.060	281.825
<b>3. Security and citizenship</b>	<b>2.532</b>	<b>2.571</b>	<b>2.609</b>	<b>2.648</b>	<b>2.687</b>	<b>2.726</b>	<b>2.763</b>	<b>18.535</b>
<b>4. Global Europe</b>	<b>9.400</b>	<b>9.645</b>	<b>9.845</b>	<b>9.960</b>	<b>10.150</b>	<b>10.380</b>	<b>10.620</b>	<b>70.000</b>
<b>5. Administration</b>	<b>8.542</b>	<b>8.679</b>	<b>8.796</b>	<b>8.943</b>	<b>9.073</b>	<b>9.225</b>	<b>9.371</b>	<b>62.629</b>
of which: Administrative expenditure of the institutions	6.967	7.039	7.108	7.191	7.288	7.385	7.485	50.464
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<b>142.556</b>	<b>144.002</b>	<b>145.085</b>	<b>146.368</b>	<b>147.344</b>	<b>148.928</b>	<b>150.718</b>	<b>1.025.000</b>
as a percentage of GNI	1,08%	1,07%	1,06%	1,06%	1,05%	1,04%	1,03%	1,05%
<b>TOTAL PAYMENT APPROPRIATIONS</b>	<b>133.851</b>	<b>141.278</b>	<b>135.516</b>	<b>138.396</b>	<b>142.247</b>	<b>142.916</b>	<b>137.994</b>	<b>972.198</b>
as a percentage of GNI	1,01%	1,05%	0,99%	1,00%	1,01%	1,00%	0,94%	1,00%
<b>OUTSIDE THE MFF</b>								
Emergency Aid Reserve	350	350	350	350	350	350	350	2.450
European Globalisation Fund	429	429	429	429	429	429	429	3.000
Solidarity Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	7.000
Flexibility instrument	500	500	500	500	500	500	500	3.500
Reserve for crises in the agricultural sector	500	500	500	500	500	500	500	3.500
ITER	886	624	299	291	261	232	114	2.707
GMES	834	834	834	834	834	834	834	5.841
EDF ACP	3.271	4.300	4.348	4.407	4.475	4.554	4.644	29.998
EDF OCT	46	46	46	46	46	46	46	321
Global Climate and Biodiversity Fund	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
<b>TOTAL OUTSIDE THE MFF</b>	<b>7.815</b>	<b>8.583</b>	<b>8.306</b>	<b>8.357</b>	<b>8.395</b>	<b>8.445</b>	<b>8.416</b>	<b>58.316</b>
<b>TOTAL MFF + OUTSIDE MFF</b>	<b>150.371</b>	<b>152.585</b>	<b>153.391</b>	<b>154.725</b>	<b>155.739</b>	<b>157.372</b>	<b>159.134</b>	<b>1.083.316</b>
as a percentage of GNI	1,13%	1,13%	1,12%	1,12%	1,11%	1,10%	1,09%	1,11%

# New elements



## ***Strict alignment to Europe 2020***

### ***New own resource system***

- ✓ Financial transaction tax
- ✓ New VAT resource

### ***Common Strategic Frameworks (CSF)***

- ✓ CSF for research, innovation and technological development
- ✓ CSF for funds under shared management

**Repackaging 7FP,  
CIP & EIIT**

### ***Connecting Europe Facility***

- ✓ Energy, transport and ICT infrastructure

**Repackaging TEN-T and TEN-E**

***Focus on results, simplification, conditionality and leveraging investment***

# Cohesion Policy (€336 bn)

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- **Objectives** (convergence, competitiveness and territorial cooperation) and **funds** (ERDF, ESF and CF) retained
- **New category of regions**: ‘transition regions’ GDP per capita between 75-90% of EU27 average
- **Reinforced strategic programming** (i.e. CSF, Partnership Contract, Operational Programmes)
- **Thematic concentration** (menu of thematic objectives and investment priorities, including 20% earmarking of funds from Comp.&Trans. regions for EE/RES)
- **Conditionality and performance incentives** (funding conditional to ex-ante requirements, 5% reserve fund, possible suspension of funds)
- **Focus on results** (Result (outcome) indicator, regular monitoring, Evaluation Plan)

# Connecting Europe Facility (€50 bn)\*



- **Objective:** complete internal market and attract private investment
- **Focus:**
  - ✓ *Transport* (€31.6bn mainly rail, road hidden under ‘multi-modal’)
  - ✓ *Energy* (€9.1bn electricity, gas and oil)
  - ✓ *ICT* (€9.1bn)
- **Type of projects:** Large scale infrastructure (TEN-T and Energy Infrastructure package)
- **Safeguard:** Consistent with SD criteria
- **Caveat:** Preliminary list of projects is already proposed
- **Role of EU project bonds**

\* Includes €10 bn earmarked from the Cohesion Fund for transport

# CAP and Rural Development (€371.7bn)



- Promoted as 'resource-efficient' CAP
- Two-pillar architecture retained
- **Greening of direct payments:** 30% for environmental and climate change measures beyond cross-compliance
- **Convergence payments:** level of direct support per hectare will be progressively adjusted
- **Capping direct payments:** limiting the basic layer of income support for large farmers
- **Rural development:** aligned with Europe 2020 and subject to performance-based conditionality
  
- 2 new instruments outside of MFF
  - ✓ Emergency aid reserve (react to crisis situations)
  - ✓ European Globalisation Fund (new scope)

# EMFF (€6.7bn)

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- **Objective:** Sustainable, ecosystem-based management of fisheries and marine environment
- **New 4-pillar approach:**
  - ✓ *Smart, green fisheries* (more selective, no discards, less damage to ecosystems, etc.)
  - ✓ *Smart, green aquaculture* (competitive, high nutrition value products)
  - ✓ *Sustainable and inclusive territorial development* (diversification of activities in maritime economies and communities)
  - ✓ *Integrated maritime policy* (marine knowledge, spatial planning, integrated coastal development, adaptation to climate change)
- **Accompanying measures:** Data, scientific advice, control, governance, etc.
- **2 international instruments:**
  - ✓ Fisheries Partnership Agreements
  - ✓ Regional Fisheries Management Organisations

# LIFE+ (€3.2bn)

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**Focus:** pilot projects, exchange of best practice, capacity-building, catalyst

- ***Nature component*** (€2.4 bn)
  - ✓ Biodiversity (2020 biodiversity strategy, not only N2k)
  - ✓ Environment (Integrated projects, water and waste)
  - ✓ Governance
- ***Climate change component*** (€800 mln)
  - ✓ Mitigation (pilot and small-scale demonstration projects for innovative action on GHG emissions reduction)
  - ✓ Adaptation (development and implementation of climate change adaptation strategies at national and regional levels)
  - ✓ Governance and awareness

# Mainstreaming CC and environment

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## ***Objective***

- Contribute to low carbon, resource efficient and climate resilient economy
- Increase share of funds under Cohesion, research and innovation, agriculture and external cooperation
- Focus on promoting synergies, consistency and cost-efficiency in spending

## ***How?***

- 20% earmarking of the EU budget for climate change, subject to impact assessment
- Climate and environmental proofing investments (mentioned only with ref. to CP)
- Global dimension (biodiversity will be mainstreamed in development cooperation programmes, no less than 25% of 'Global public goods' programme should be spent on CC and env.)
- Clear cross-cutting obligation to track expenditure (Rio markers methodology)
- Specific objectives accompanied by result indicators
- Target setting and monitoring of results

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# Policy process

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## *MFF Regulation*

- **Commission** proposes 7-year MFF draft Regulation
- The **Council**, acting in accordance with a **special legislative procedure**, adopts **unanimously** the **Regulation on MFF**
- **EP gives its consent** by a **majority of its members**

## *Regulations on different funding instruments*

- **Commission** proposes draft Regulations
- EP and the Council adopt Regulations in accordance with the **ordinary legislative procedure**

## *Own resources Decision*

- **Commission** proposes draft Decision on own resources
- **Council** adopts a **Decision by unanimity**, after **consulting** the EP
- This Decision enters into force only once all **Member States have approved** it in accordance with their constitutional requirements

# Timeline



Item	2nd semester 2011	1st semester 2012	2nd semester 2012	1st semester 2013	2nd semester 2013
<b>Financial Perspective (2014-2020)</b>	EP/Council negotiations on MFF	Adoption of new legislative package: general agreement June 2012	Finalised by end of 2012		
<b>Common Strategic Framework</b>	COM Common Strategic Framework (5 funds), Dec-Jan			Adoption of CSF	
<b>Cohesion Policy</b>	COM legislative proposal, 5 October	EP/Council negotiations on Cohesion policy	EP/Council negotiations on Cohesion policy	Drafting and negotiations of Partnership Contracts and Operational	Adoption of Regulations
<b>CAP</b>	COM legislative proposal, Oct	EP/Council negotiations on CAP	EP/Council negotiations on CAP	Drafting of new CAP strategy and programmes	Adoption of Regulations
<b>LIFE+ / Financing N2000</b>	COM communication on financing N2000, Fall				
	COM legislative proposal for LIFE, end 2011	EP/Council negotiations on LIFE+	EP/Council negotiations on LIFE+		Adoption of Regulations
<b>External dimension</b>	COM proposal, 7 Dec	EP/Council negotiations on external dimension	EP/Council negotiations on external dimension		Adoption of Regulations
<b>European Fisheries Fund</b>	COM legislative EFF proposal, 31 Nov	EP/Council negotiations on EFF	EP/Council negotiations on EFF		Adoption of Regulations
<b>Research funds</b>	COM legislative proposal, Fall	EP/Council negotiations on research funds	EP/Council negotiations on research funds		Adoption of Regulations
<b>EU Presidency (troika)</b>	Poland (PL-DA-CY)	Denmark (PL-DA-CY)	Cyprus (PL-DA-CY)	Ireland (IE-LT-GR)	Lithuania (IE-LT-GR)

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# Positioning of key institutions and stakeholders

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- **European Commission**

Gradually disowned the ambitious 2007 reform agenda

Alignment to Europe 2020, growth & competitiveness as crisis exit strategy, some climate/energy

- **European Parliament**

Increase 5% of MFF

New own resources

Abolish rebates and correction mechanisms

Some green-ish demands

- **Member States**

Freeze future MFF (UK, Germany, France, Netherlands, Finland)

CP and CAP very politically sensitive and difficult for reform (France and Germany / new MS)

No new own resources, keep rebates

- **NGOs**

Mainstreaming and proofing demands

Focus on climate, biodiversity/green infrastructure in Cohesion / CAP

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# Key and/or outstanding issues

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- Much of the work remains yet to be done with regards to the legislative packages for each expenditure programme/instrument
- How to ensure that ‘mainstreaming’ delivers in practice: both in terms of securing sufficient funding but also other activities are not counterproductive?
- Improving performance vs simplification
- How to meet enormous financial needs in times of austerity? (Role of innovative financing increases)
- High stakes, inherent aversion to change – little room for maneuverer and hence for change
- Need for institutional champion for greener ideas (possibly EP)



**Thank you!**

**Questions?**