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THE EUROPEAN UNION**

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**NOTE**

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from: Presidency  
to: Permanent Representatives Committee / Council  
Subject: Multiannual Financial Framework (2014-2020)  
- Negotiating box

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- 1. In the framework of discussions on the future Multiannual Financial Framework, the Presidency submits to delegations a revised version of the Negotiating Box.*
- 2. As announced in the issues paper of 20 August, the Presidency believes that it is inevitable that the total level of expenditure proposed by the Commission, including all elements inside and outside of the MFF, will have to be adjusted downwards. This is the first stage in the negotiations that figures are introduced. This revised version of the Negotiating Box presents savings across all Headings of the MFF amounting to at least €50 + (plus) billion. According to the assessment of the Presidency this is a starting point for delegations in order to reflect on the effects of reductions. More sizeable reductions are needed in order to reach a compromise. Further reductions will require even bigger trade-offs and the need to prioritise between policies and programmes. This is the reason the Presidency has presented a floor for reductions but avoided introducing a higher ceiling. At the same time, the direction of further reductions is indicated by X's in the text.*

3. *In weighting the Presidency's decision on the level and distribution of reductions across Headings and sub-Headings, a number of interrelated key elements have been taken into account:*
  - *the need for appropriate financing to fulfil the Treaty objectives of a given policy;*
  - *the contribution of a given policy towards the overall objectives of the Union and notably to growth and jobs;*
  - *the level and balance of expenditure proposed by the Commission as compared to the current MFF;*
  - *the relative size of the Headings;*
  - *the cost effectiveness of different elements of Headings/policies/instruments;*
  - *the European added value of policies*
  
4. *The Presidency has also reduced options in various parts of the Negotiating Box and provided proposals which in the Presidency's assessment will drive negotiations forward and limit the number of issues that need to be dealt at the final stage of negotiation.*
  
5. *It is recalled that the document is drawn up and developed under the responsibility of the Presidency. It is therefore not binding on any delegation. The Presidency continues to be guided by the principle that nothing is agreed until everything is agreed.*
  
6. *This revised negotiating box will be discussed at COREPER on 31/10/12.*

## **GENERAL**

1. Over recent years the European Union and its Member States have taken important steps in response to the challenges raised by the economic and financial crisis. Looking to the future, the next Multiannual Financial Framework (MFF) must ensure that the European Union's budget is geared to lifting Europe out of the crisis. The European Union's budget must be a catalyst for growth and jobs across Europe, notably by leveraging productive and human capital investments. Within the future Multiannual Financial Framework, spending should be mobilised to support growth, employment, competitiveness and convergence, in line with the Europe 2020 Strategy. At the same time, as fiscal discipline is reinforced in Europe, it is essential that the future MFF reflects the consolidation efforts being made by Member States to bring deficit and debt onto a more sustainable path. The value of each euro spent must be carefully examined ensuring that the European Added Value and quality of spending under the future MFF are enhanced not least by pooling resources, acting as a catalyst and offering economies of scale, positive trans boundary and spill-over effects thus contributing to the achievement of agreed common policy targets more effectively or faster and reducing national expenditure. Sustainable growth and employment will only resume if a consistent and broad-based approach is pursued, combining smart fiscal consolidation that preserves investment in future growth, sound macroeconomic policies and an active employment strategy that preserves social cohesion. EU policies must be consistent with the principles of subsidiarity, proportionality and solidarity as well as provide real added value.

2. The future financial framework must not only ensure the appropriate level of expenditure, but also its quality. The quality of expenditure will allow for a better development of the policies, taking full advantage of the opportunities they provide in terms of European value added, in particular in times of heavy constraint on the national budgets. All funding instruments should, therefore, be spent as effectively as possible. Efforts towards improving the quality of spending of the Union's funds need to include, *inter alia*, the better governance of the policies including certain conditionalities, concentration and targeting of funding, wherever possible in all funding instruments and programmes under all Headings, on areas that contribute most to growth, jobs and competitiveness regular reporting for the appraisal of results on all policies and funding instruments at political level, of the flexibility, positive incentives, concentration of funds on growth-enhancing measures, evaluation and review, emphasis on results, simplification in delivery, appropriate technical assistance, application of completion principle in selecting the projects, and an appropriate use of financial instruments. The Negotiating Box includes a number of elements that provide for the application of the above principles. Furthermore, every effort should be made by all institutions of the Union so that the sectoral legislation of relevant funding instruments includes provisions aiming at enhancing the quality of spending.
  
3. The new MFF will cover the seven years between 2014 and 2020 and be drawn up for a European Union comprising 28 Member States on the working assumption that Croatia will join the Union in 2013.

4. Expenditure will be grouped under six Headings designed to reflect the Union's political priorities and providing for the necessary flexibility in the interest of efficient allocation of resources.

The Multiannual Financial Framework for the period 2014 to 2020 will have the following structure:

- Sub-Heading 1a “Competitiveness for growth and jobs” which will include the CEF;
- Sub-Heading 1b “Economic, social and territorial cohesion”;
- Heading 2 “Sustainable growth: natural resources” which will include a sub-ceiling for market related expenditure and direct payments;
- Heading 3 “Security and citizenship”;
- Heading 4 “Global Europe”;
- Heading 5 “Administration” which will include a sub-ceiling for administrative expenditure;
- Heading 6 "Compensations"

5. The maximum total figure for expenditure for EU28 for the period 2014-2020 is EUR X million in appropriations for commitments, representing X% of EU GNI and EUR X million in appropriations for payments, representing X% of EU GNI. The breakdown of appropriations for commitments is described below. The same figures are also set out in the table contained in Annex I which equally sets out the schedule of appropriations for payments. All figures are expressed using constant 2011 prices. There will be automatic annual technical adjustments for inflation.

The statistical data and forecasts used to establish the eligibility and envelopes for the CSF funds and also for the calculation of total GNI are those used for the Commission update of the proposal for the MFF Regulation in July 2012 (COM(2012) 388).

*p.m. once the negotiations are finalised the figures will also be presented in current prices (Table 2 in Annex I) using a fixed deflator of 2%.*

6. Having in mind the financial needs necessary to develop investment in Europe and the objective of maximising the leverage effect of actions supported by the EU budget, a more widespread use of financial instruments will be made as part of the implementation of the next MFF. A thorough evaluation of the pilot phase under the TEN T and CIP programmes will be carried out concerning project bonds as part of the decision on the future use of the this specific instrument. Financial instruments must address one or more specific policy objectives of the Union, operate in a non-discriminatory fashion, must have a clear end-date, respect the principles of sound financial management and be complementary to traditional instruments such as grants. The financial liability of the Union for such financial instruments in the next multiannual financial framework will be limited to the EU budget contribution and will not give rise to contingent liabilities for the Union budget.

Financial instruments can only be implemented when they meet strict conditions as laid down in the new Financial Regulation. Financing from the EU budget for the purpose of financial instruments should only happen on a reasonable scale and where there is an added value.

7. The RAL (reste à liquider) is an inevitable by-product of multi-annual programming and differentiated appropriations. However, for various reasons, excessive RAL will result by the end of the financial framework for 2007- 2013. In order, therefore, to ensure a manageable level and profile for the payments in all Headings several initiatives are an integral part of the agreement on the financial framework 2014-2020:
- the levels of commitments are set at an appropriate level in all Headings;
  - de-commitments rules will be applied strictly in all Headings, in particular the rules for automatic de-commitments as defined in paragraph 77;
  - pre-financing rates are [reduced compared to earlier/abolished] (paragraph 76);
  - no degressivity of annual commitments for / transitional / “safety net” arrangements under Cohesion Policy in order to contribute to the manageable profile of commitments and payments (paragraphs 39 and 44).
  - the Commission is invited to revisit its payment estimates to establish a realistic profile of the payment ceiling.

8. The EU has the responsibility, through certain conditionalities, robust controls and effective performance measurement, to ensure that funds are better spent. It must also respond to the need to simplify its spending programmes in order to reduce the administrative burden and costs for their beneficiaries and for all actors involved, both at the EU level at the national level. All sectoral legislation relating to the next MFF as well as the new Financial Regulation and the Interinstitutional Agreement on cooperation in budgetary matters and on sound financial management should therefore contain substantial elements contributing to simplification and improving accountability and effective spending of EU funds. A particular effort will be made, both in the legislation and in its implementation, to ensure that the principles of subsidiarity and proportionality are fully taken into account.
9. The optimal achievement of objectives in some policy areas depends on the mainstreaming of priorities into a range of instruments in other policy areas. Climate action and environment objectives will therefore be reflected in the appropriate instruments to ensure that they contribute to strengthen energy security, building a low-carbon, resource efficient and climate resilient economy that will enhance Europe's competitiveness and create more and greener jobs.
10. Following the agreement reached by the European Council, the legislative texts now need to be adopted following the procedures enshrined in the Treaty and respecting the role of the different institutions. In particular:
  - the Regulation laying down the MFF for the years 2014-2020 should be adopted by the Council and with the consent of the European Parliament;
  - a rapid adoption of the Decision on the system of own resources of the European Union as well as its implementing measures must also be ensured;

- on the basis of the levels of commitments in this agreement, and noting the indicative figures proposed by the Commission for the objectives under all the Headings, the Council and the European Parliament are invited to come to a timely agreement on the content and appropriate funding of each of the proposed instruments, programmes and funds financed under the MFF.

In addition, the European Parliament, the Council and the Commission are invited to rapidly adopt the Interinstitutional Agreement on cooperation in budgetary matters and on sound financial management in order to complement the MFF.



## **PART I : EXPENDITURE**

### **SUB-HEADING 1a – COMPETITIVENESS FOR GROWTH AND JOBS**

11. Smart and inclusive growth corresponds to an area where EU action has significant value added. The programmes under this Heading have a high potential to contribute to the fulfilment of the Europe 2020 Strategy, in particular as regards the promotion of research, innovation and technological development; specific action in favour of the competitiveness of enterprises and SMEs; investing in education and in human skills through the ERASMUS for all programme; and developing the social agenda. In allocating funding within this Heading, particular priority shall be given to delivering a substantial and progressive enhancement of the EU's research, education and innovation effort, including through simplification of procedures.
12. The level of commitments for this sub-Heading, will not exceed *EUR[X to 146 317 million]* :

SUB-HEADING 1a - Competitiveness for growth and jobs						
(Million euros, 2011 prices)						
2014	2015	2016	2017	2018	2019	2020
X	X	X	X	X	X	X

13. There is a critical need to reinforce and extend the excellence of the Union's science base. The effort in research and development will therefore be based on excellence, while ensuring broad access to participants in all Member States; this, together with a thorough simplification of the programme, will ensure an efficient and effective future European Research Policy also ensuring better possibilities for SMEs to participate in the programmes. All policies will be called upon to contribute to increase competitiveness and particular attention will be paid to the coordination of activities funded through Horizon 2020 with those supported under other Union programmes, including through cohesion policy. In this context, important synergies will be needed between Horizon 2020 and the structural funds in order to create a "stairway to excellence" and thereby enhance regional R&I capacity and the ability of less performing and less developed regions to develop clusters of excellence.

14. Interconnected transport, energy and digital networks are an important element in the completion of the European single market. Moreover, investments in key infrastructures with EU added value can boost Europe's competitiveness in the medium and long term in a difficult economic context, marked by slow growth and tight public budgets. Finally, such investments in infrastructure are also instrumental in allowing the EU to meet its sustainable growth objectives outlined in the Europe 2020 Strategy and the EU's "20-20-20" objectives in the area of energy and climate policy. At the same time measures in this area will respect market actors' main responsibilities for planning and investment in energy and digital infrastructure.
15. The financial envelope for the implementation of the Connecting Europe Facility for the period 2014 to 2020 will be *EUR [X to 36314 million]* including EUR [X to 7 000 million] that will be transferred from the Cohesion Fund as provided in (a) below. That total amount will be distributed among the sectors as follows:
- (a) transport: *EUR [X to 22 222 million]*, out of which 31.5% equivalent to EUR [X to 7 000 million] will be transferred from the Cohesion Fund to be spent in line with the CEF Regulation in Member States eligible for funding from the Cohesion Fund];
  - (b) energy: *EUR [X to 7 077 million]*;
  - (c) telecommunications: *EUR [X to 7015 million]*.

[The transfer from the Cohesion Fund for transport infrastructure under the Connecting Europe Facility will co-finance pre-identified projects listed in the annex to the CEF Regulation, respecting the national allocations under the Cohesion Fund and in accordance with relevant provisions of sectoral legislation.]

OR

[The transfer from the Cohesion Fund for transport infrastructure under the Connecting Europe Facility will co-finance pre-identified projects listed in the annex to the CEF Regulation; until 31 December 2016, the selection of projects eligible for financing should be carried out respecting the national allocations transferred from the Cohesion Fund to the Connecting Europe Facility. Thereafter, any unused funds could be redeployed to new projects through new competitive calls for proposals.]

16. The three large infrastructure projects of Galileo, ITER and GMES will be financed under sub-Heading 1a with an amount of *EUR [X to 14 293 million]*. In order to ensure sound financial management and financial discipline, the maximum level of commitments for each of these projects will be laid down in the MFF Regulation as follows:

- a) Galileo: EUR [X to Y]
- b) ITER: EUR [X to Y]
- c) GMES: EUR [X to Y]

17. In order to support nuclear safety in Europe [support will continue to] OR [a final support will] be granted to the decommissioning of the following nuclear power plants:

- [x] million euro to Ignalina in Lithuania [2014 - x];
- [x] million euro to Bohunice in Slovakia [2014 - x];
- [x] million euro to Kozloduy in Bulgaria [2014 - x].

## **SUB-HEADING 1b – ECONOMIC, SOCIAL AND TERRITORIAL COHESION**

### **COHESION POLICY**

18. One important objective of the European Union is to promote economic, social and territorial cohesion and solidarity among Member States. Cohesion policy is in this respect the main tool to reduce disparities between Europe's regions and must therefore concentrate on the less developed regions and Member States. Cohesion policy is a major tool for investment, growth and job creation at EU level and for structural reforms at national level. It accounts for an important share of public investments in the EU, contributes to deepening of the internal market and thus plays an important role in boosting economic growth, employment and competitiveness. Furthermore Cohesion policy shall contribute to the Europe 2020 Strategy for smart, sustainable and inclusive growth throughout the European Union. Through the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), it will pursue the following goals: "Investment for growth and jobs" in Member States and regions, to be supported by all the Funds; and "European territorial cooperation", to be supported by the ERDF. The Cohesion Fund will support projects in the field of environment and transport trans-European networks.
19. As regards the structure of the Heading and considering the specificities of cohesion policy, cohesion expenditure will be contained within a sub-Heading under Heading 1 under the title "Economic, social and territorial cohesion".

#### *Overall level of allocations*

20. The level of commitments for sub-Heading 1b "Economic, social and territorial cohesion" will not exceed *EUR [X to 326 494 million]* :

SUB-HEADING 1b: Economic, social and territorial cohesion						
(Million euros, 2011 prices)						
2014	2015	2016	2017	2018	2019	2020
X	X	X	X	X	X	X

21. Resources for the "Investment for growth and jobs" goal will amount to a total of EUR [X to Y]<sup>1</sup> and will be allocated as follows:
- (a) a total of EUR xx for less developed regions;
  - (b) a total of EUR xx for transition regions;
  - (c) a total of EUR xx for more developed regions;
  - (d) a total of EUR xx for Member States supported by the Cohesion Fund;
  - (e) a total of EUR xx as additional funding for the outermost regions identified in Article 349 of the Treaty and the northern sparsely populated regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the Treaty of Accession of Austria, Finland and Sweden.
22. Resources for the "European territorial cooperation" goal will amount to a total of *EUR [X – 8 912 million]* which will be distributed as follows:
- (a) a total of EUR xx for cross-border cooperation;
  - (b) a total of EUR xx for transnational cooperation;
  - (c) a total of EUR xx for interregional cooperation.
23. [xx to 0.35%] of the global resources will be allocated to technical assistance at the initiative of the Commission. Technical assistance shall in particular be used to support institutional strengthening and administrative capacity building for the effective management of the Funds and supporting Member States in identifying and carrying out useful projects within the operational programmes for overcoming current economic challenges.
24. [0.2%] of the ERDF resources for the Investment for growth and jobs goal will be allocated to innovative actions at the initiative of the Commission in the area of sustainable urban development.

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<sup>1</sup> *In the view of the Presidency, any savings which are additional to the proposed reductions in this sub-Heading should not reduce the concentration of funds available for less developed regions.*

## *Definitions and eligibility*

25. Resources for the "Investment for growth and jobs" goal will be allocated to three types of regions, defined on the basis of how their GDP per capita, measured in purchasing power parities and calculated on the basis of Union figures for the period 2007 to 2009 relates to the average GDP of the EU-27 for the same reference period, as follows:
- (a) less developed regions, whose GDP per capita is less than 75 % of the average GDP of the EU-27;
  - (b) transition regions, whose GDP per capita is between 75% and 90% of the average GDP of the EU-27.
  - (c) more developed regions, whose GDP per capita is above 90 % of the average GDP of the EU-27.
26. The Cohesion Fund will support those Member States whose gross national income (GNI) per capita, measured in purchasing power parities and calculated on the basis of Union figures for the period 2008 to 2010, is less than 90 % of the average GNI per capita of the EU-27 for the same reference period.
27. For cross-border cooperation, the regions to be supported will be the NUTS level 3 regions of the Union along all internal and external land borders, and all NUTS level 3 regions of the Union along maritime borders.
28. For transnational cooperation, the Commission will adopt the list of transnational areas to receive support, broken down by cooperation programme and covering NUTS level 2 regions while ensuring the continuity of such cooperation in larger coherent areas based on previous programmes.
29. For interregional cooperation, support from the ERDF will cover the entire territory of the Union.

30. Nuts level 2 regions which have been merged by Commission Regulation (EU) 31/2011 of 17 January 2011, and where the application of the modified NUTS classification results in changes in the eligibility status of one or more of the regions concerned, shall be part of the category determined at the level of the modified NUTS region.

#### *Allocation method*

##### Allocation method for less developed regions

31. The specific level of allocations to each Member State will be based on an objective method and calculated as follows :

Each Member State's allocation is the sum of the allocations for its individual eligible regions, calculated according to the following steps:

- (i) determination of an absolute amount (in euro) obtained by multiplying the population of the region concerned by the difference between that region's GDP per capita, measured in purchasing power parities (PPS), and the EU 27 average GDP per capita (PPS);
- (ii) application of a percentage to the above absolute amount in order to determine that region's financial envelope; this percentage is graduated to reflect the relative prosperity, measured in purchasing power parities (PPS), as compared to the EU 27 average, of the Member State in which the eligible region is situated, i.e.:
  - for regions in Member States whose level of GNI per capita is below [82]% of the EU average: [3.35% ]
  - for regions in Member States whose level of GNI per capita is between [82]% and [99]% of the EU average: [2.30% ]
  - for regions in Member States whose level of GNI per capita is over [99]% of the EU average: [1.80%];

(iii) to the amount obtained under step (ii) is added, if applicable, an amount resulting from the allocation of a premium of EUR [800 to X] per unemployed person per year, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU less developed regions applied.

(iv) There will be no urban premium.

32. The result of the application of this methodology is subject to capping.

#### Allocation method for transition regions

33. The specific level of allocations to each Member State will be based on an objective method and calculated as follows :

Each Member State's allocation is the sum of the allocations for its individual eligible regions, calculated according to the following steps:

- (i) determination of the minimum and maximum theoretical aid intensity for each eligible transition region. The minimum level of support is determined by the average per capita aid intensity per Member State before [63%] regional safety net allocated to the more developed regions of that Member State. The maximum level of support refers to a theoretical region with a GDP per head of 75% of the EU27 average and is calculated using the method defined in paragraph 31(i) and (ii) above. Of the amount obtained by this method, [64%] is taken into account.
- (ii) calculation of initial regional allocations, taking into account regional GDP per capita through a linear interpolation of the region's relative wealth compared to EU-27;



- (iii) to the amount obtained under step (ii) is added, if applicable, an amount resulting from the allocation of a premium of EUR[X-400] per unemployed person per year, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU less developed regions applied;
- (iv) There will be no urban premium.

34. The result of the application of this methodology is subject to capping.

#### Allocation method for more developed regions

35. The total initial theoretical financial envelope is obtained by multiplying average aid intensity per head and per year of EUR [X to 20.4] by the eligible population.
36. The share of each Member State concerned is the sum of the shares of its eligible regions, which are determined on the basis of the following criteria, weighted as indicated:
- - total regional population (weighting [25%]),
  - number of unemployed people in NUTS level 2 regions with an unemployment rate above the average of all more developed regions (weighting [20%]),
  - employment to be added to reach the Europe 2020 target for regional employment rate (ages 20 to 64) of 75% (weighting [20%]),
  - number of people aged 30 to 34 with tertiary educational attainment level to be added to reach the Europe 2020 target of 40% (weighting [12.5%]),
  - number of early leavers from education and training (aged 18 to 24) to be subtracted to reach the Europe 2020 target of 10% (weighting [12.5%]),
  - difference between the observed GDP of the region (in PPS) and the theoretical regional GDP if the region would have the same GDP/head as the most prosperous NUTS2 region (weighting [7.5%]),
  - population of NUTS level 3 regions with a population density below [12.5 inh./km<sup>2</sup>] (weighting [2.5%]).

There will be no urban premium.

## Allocation method for the Cohesion Fund

37. The total theoretical financial envelope is obtained by multiplying the average per capita aid intensity of EUR [X to 48] by the eligible population. Each eligible Member State's *a priori* allocation of this theoretical financial envelope corresponds to a percentage based on its population, surface area and national prosperity, and obtained by applying the following steps:
- (i) calculation of the arithmetical average of that Member State's population and surface area shares of the total population and surface area of all the eligible Member States. If, however, a Member State's share of total population exceeds its share of total surface area by a factor of five or more, reflecting an extremely high population density, only the share of total population will be used for this step;
  - (ii) adjustment of the percentage figures so obtained by a coefficient representing one third of the percentage by which that Member State's GNI per capita (PPS) for the period 2008-2010 exceeds or falls below the average GNI per capita of all the eligible Member States (average expressed as 100%).
38. In order to reflect the significant needs of Member States, which acceded to the Union on or after 1 May 2004, in terms of transport and environment infrastructure, their share of the Cohesion Fund will be set at one third of the total final financial allocation after capping (structural funds plus Cohesion Fund) received on average over the period.
39. The Member States fully eligible for funding from the Cohesion Fund in the period 2007-2013, but whose nominal GNI per capita exceeds 90% of the average GNI per capita of the EU-27 will receive support from the Cohesion Fund on a transitional and specific basis. This transitional support will be of EUR [X to 48] per capita in 2014.
40. The result of the application of this methodology is subject to capping.

### Allocation method for "European territorial cooperation"

41. The allocation of resources by Member State, covering cross-border and transnational cooperation, is determined as the weighted sum of the share of the population of border regions and of the share of the total population of each Member State. The weight is determined by the respective shares of the cross-border and transnational strands. The shares of the cross-border and transnational cooperation components are [77.9] % and [22.1] %.

### Allocation method for outermost, sparsely populated regions and islands

42. Outermost regions and northern sparsely populated NUTS level 2 regions will benefit from an additional special allocation with an aid intensity of EUR [20 to X] per inhabitant per year. It will be distributed per region and Member State in a manner proportional to the total population of these regions. The special situation of island regions also needs to be taken into account.

### *Capping*

43. In order to contribute to achieve adequate concentration of cohesion funding on the least developed regions and Member States and to the reduction of disparities in average per capita aid intensities, the maximum level of transfer to each individual Member State will be set at [X-2.36] % of GDP. The capping will be applied on an annual basis, and will - if applicable - proportionally reduce all transfers (except for the more developed regions and "European territorial cooperation") to the Member State concerned in order to obtain the maximum level of transfer. For Member States which acceded to the Union before 2013 and whose average real GDP growth 2008-2010 was lower than -1%, the maximum level of transfer shall be increased by [X%] producing a capping of [2.xx] %.

### *Safety nets*

44. For all regions whose GDP per capita for the 2007-2013 period was less than 75% of the EU-25 average, but whose GDP per capita is above 75% of the EU-27 average, the minimum level of support in 2014-20 under "Investment for growth and jobs" goal will correspond every year to a [63%] of their former indicative average annual allocation under the Convergence allocation, calculated by the Commission within the multiannual financial framework 2007-2013. Taking into account the impact resulting from to extraordinary economic and financial crisis in certain regions, the regions defined in article 8(1) of the Regulation 1083/2006 receiving transitional support for the period 2007 – 2013 will receive under "Investment for growth and jobs" goal in the period 2014-20 at least [63%] of their former indicative average annual allocation.
45. The minimum total allocation (Cohesion Fund and Structural Funds) for a Member State shall correspond to [55 to X]% of its individual 2007-2013 total allocation. The adjustments needed to fulfil this requirement are applied proportionally to the allocations of the Cohesion Fund and the Structural Funds, excluding the allocations of the European Territorial Cooperation Objective.

### *Co-financing rates*

46. The co-financing rate at the level of each priority axis of operational programmes under the "Investment for growth and jobs" goal will be no higher than:
- (a) [75 - 85] % for the Cohesion Fund;
  - (b) [75 - 85] % for the less developed regions of Member States whose average GDP per capita for the period 2007 to 2009 was below [85 %] of the EU-27 average during the same period and for the outermost regions;
  - (c) [75 - 80]% for the less developed regions of Member States other than those referred to in point (b) eligible for the transitional regime of the Cohesion Fund on 1 January 2014;

- (d) [75]% for the less developed regions of Member States other than those referred to in points (b) and (c), and for all regions whose GDP per capita for the 2007-2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27;
- (e) [60] % for the transition regions other than those referred to in point (d);
- (f) [50] % for the more developed regions other than those referred to in point (d).

The co-financing rate at the level of each priority axis of operational programmes under the "European territorial cooperation" goal will be no higher than [75]%. [For those programmes where there is at least one less developed region participating the co-financing rate under the "European territorial cooperation" goal can be raised up to [85]%.]

The co-financing rate of the additional allocation for outermost regions identified in Article 349 of the Treaty and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the Treaty of Accession of Austria, Finland and Sweden will be not higher than [50]%.

47. Increase in payments for Member State with temporary budgetary difficulties.

[A higher co-financing rate (by [10] percentage points) can be applied when a Member State is receiving financial assistance in accordance with Articles 136 and 143 of the TFEU, thus reducing the effort required from national budgets at a time of fiscal consolidation, while keeping the same overall level of EU funding.]

**FOOD FOR DEPRIVED PEOPLE**

48. [The support for food for deprived people will be EUR [X to 2 000 million] for the period 2014-2020 and will be carved out from the ESF allocation.]

## **HEADING 2 - SUSTAINABLE GROWTH: NATURAL RESOURCES**

49. The objectives of the Common Agricultural Policy (CAP) is to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour; thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture, to stabilise markets, to ensure the availability of supplies and to ensure that supplies reach consumers at reasonable prices. Account should be taken of the social structure of agriculture and of the structural and natural disparities between the various agricultural regions.
50. Against that background reforms must ensure 1) a viable food production; 2) sustainable management of natural resources and climate action; and 3) balanced territorial development. Furthermore, the CAP should be thoroughly integrated into the Europe 2020 strategy objectives notably the objective of sustainable growth, while fully respecting the objectives of this policy as set out in the Treaty.
51. Commitment appropriations for this Heading, which covers agriculture, rural development, fisheries and a financial instrument for the environment and climate action will not exceed *EUR [X to 378 972 million]* of which *EUR [X to 277 401 million]* will be allocated to market related expenditure and direct payments:

SUSTAINABLE GROWTH : NATURAL RESOURCES						
(Million euros, 2011 prices)						
2014	2015	2016	2017	2018	2019	2020
X	X	X	X	X	X	X
of which : Market related expenditure and direct payments						
X	X	X	X	X	X	X

52. The Common Agricultural Policy for the period 2014-2020 will continue to be based on the two pillar structure :

- Pillar I will provide direct support to farmers and finance market measures. Direct support and market measures will be funded entirely and solely by the EU budget, so as to ensure the application of a common policy throughout the single market and with the integrated administration and control system (IACS).
- Pillar II of the CAP will deliver specific environmental public goods, improve the competitiveness of the agriculture and forestry sectors promote the diversification of economic activity and quality of life in rural areas including regions with specific problems. Measures in Pillar II will be co-financed by Member States according to the provisions in paragraph 62, which helps to ensure that the underlying objectives are accomplished and reinforces the leverage effect of rural development policy.

### **Pillar I**

#### *Level and model for redistribution of direct support - details of convergence across Member States*

53. In order to adjust the overall level of expenditure under Heading 2, the EU average level of direct payments per hectare will be reduced by [0.27 to X]% per year for the financial years 2015-2020. This reduction of direct payments per hectare corresponds to a total reduction of direct payments over the period 2014-2020 by [1.3]% compared to the Commission proposal. Direct support will be more equitably distributed between Member States, while taking account of the differences that still exist [in wage levels, purchasing power, output of the agricultural industry and input costs], by stepwise reducing the link to historical references and having regard to the overall context of Common Agricultural Policy and the Union budget<sup>1</sup>.

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<sup>1</sup> *The Presidency recognises the need to reflect further on the link to the methodology that will be used for convergence of direct payments so as to take into account specific circumstances, such as agricultural areas with high added value and cases where the effects of convergence are disproportionately felt.*

All Member States with direct payments per hectare below [90]% of the EU average will close [one third] of the gap between their current direct payments level and [90]% of the EU average in the course of the next period. [This convergence will be financed by all Member States [with direct payments above the EU average, proportionally to their distance from the EU average]. This process will be implemented progressively over [4] years from financial year [2015] to financial year [2018].

*Capping of support to large farms*

54. [Capping of the direct payments for large beneficiaries will be introduced while taking due account of employment. The proceeds of the reduction and capping of payments to large beneficiaries should remain in the Member States where they were generated. The modalities for the usage of the reduction and capping of payments will be dealt in the relevant sectoral legislation.]

OR

[There will be no capping of the direct payments for large beneficiaries]

*Method for financial discipline*

55. With a view to ensuring that the amounts for the financing of the CAP comply with the annual ceilings set in the multiannual financial framework, the financial discipline mechanism currently provided for in Article 11 of the Regulation 73/2009, pursuant to which the level of direct support is adjusted when the forecasts indicate that the sub-ceiling of Heading 2, is exceeded in a given financial year should be maintained, but without the safety margin of EUR 300 000 000.



### *Greening of direct payments*

56. The overall environmental performance of the CAP will be enhanced through the greening of direct payments by means of certain agricultural practices, to be defined in the *Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy*, beneficial for the climate and the environment, whilst avoiding unnecessary administrative burden, [that all farmers will have to follow]. [Flexibility for the Member States relating to the choice of greening measures will be established.] In order to finance those practices, Member States will use [X to 30] % of the annual national ceiling.

### **Flexibility between pillars**

57. Member States may decide to make available as additional support for measures under rural development programming financed under the EAFRD, up to [10 to 15] % of their annual national ceilings for calendar years 2014 to 2019 as set out in Annex II to the Regulation on direct payments. As a result, the corresponding amount will no longer be available for granting direct payments.
58. Member States [with direct payments per hectare below [90%] of EU average after general budget reduction, phasing in and redistribution] may decide to make available as direct payments under the Regulation on direct payments up to [5 to 10] % of the amount allocated to support for measures under rural development programming financed under the EAFRD in the period 2015-2020. As a result, the corresponding amount will no longer be available for support measures under rural development programming.

## **Pillar II**

### *Principles for distribution of rural development support*

59. Support for rural development will be distributed between Member States based on objective criteria and past performance, while taking into account the objectives of the rural development and having regard to the overall context of Common Agricultural Policy and the Union budget.
60. The overall amount of support for rural development will be *EUR [X to 90 816 million]*. The annual breakdown will be fixed by the European Parliament and the Council. [Amounts for the individual Member States will be adjusted to take account of the above mentioned provisions in paragraphs 57 and 58.]
61. The distribution of the overall amount for rural development between Member States based on objective criteria and past performance<sup>1</sup> and will be as follows: (insertion of table with distribution of rural development support between Member States<sup>2</sup>).

### *Co-financing rates for rural development support*

62. The rural development programmes will establish a single EAFRD contribution rate applicable to all measures. Where applicable, a separate EAFRD contribution rate will be established for less developed regions, [transition regions] and for outermost regions and the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93. The maximum EAFRD contribution rate will be:
- [75 - 85]% of the eligible public expenditure in the less developed regions, the outermost regions and the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93 ;

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<sup>1</sup> *The Presidency recognises that the issue of the reference period of ‘past performance’ remains open.*

<sup>2</sup> *The Presidency invites the Commission to come forward with information on the distribution of rural development support between Member States.*

- [[75]% of the eligible public expenditure for all regions whose GDP per capita for the 2007-2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27];
- [60]% of the eligible public expenditure for the transition regions other than those referred to in the previous indent ] ;
- [50 - 55]% of the eligible public expenditure in the other regions;
- [[75] % for operations contributing to the objectives of environment and climate change mitigation and adaptation.];
- 100% for amounts transferred from pillar I to pillar II referred to in paragraph 57 as additional support under rural development.

The minimum EAFRD contribution rate will be [20%]. Other maximum EAFRD contribution rates to specific measures will be set in the Regulation on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

\*   \*  
\*  
\*

63. Financing under Heading 2 will also support the Common Fisheries Policy and Integrated Maritime Policies, in particular through the European Maritime and Fisheries Fund and an envelope for the international dimension of the CFP as well as activities in the fields of climate and environment through the Programme for the Environment and Climate Action (LIFE).

*A new reserve for crisis in the agricultural sector*

64. A new reserve for crises in the agricultural sector, to bring support in case of major crises affecting agricultural production or distribution, will be included under Heading 2 with an amount of EUR [X to 1 500 million].

## **PROVISIONS RELEVANT FOR THE ERDF, THE ESF, THE CF, THE EAFRD AND THE EMFF**

### *The Common Strategic Framework*

65. The structural and cohesion funds will be brought together with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF) under a the Common Strategic Framework - in order to maximise their effectiveness and optimise synergies. This will involve defining a list of thematic objectives in line with the Europe 2020 Strategy.

### *Macro-economic conditionality*

66. Establishing a closer link between cohesion policy and the economic governance of the Union will ensure that the effectiveness of expenditure under the Common Strategic Framework (CSF) Funds is underpinned by sound economic policies and that the CSF Funds can, if necessary, be redirected to addressing the economic problems a country is facing. For this reason a gradual macro-economic conditionality will be established in the CSF Regulation.
67. The Commission may request a Member State to review and propose amendments to its Partnership Contract and the relevant programmes, where this is necessary to support the implementation of relevant Council recommendations or to maximise the growth impact of CSF funds in Member States receiving financial assistance from the EU. Such a request may be made to support implementation of:
- (a) recommendations under the broad guidelines of the economic policy;
  - (b) employment recommendations;
  - (c) specific measures addressed to euro area Member States in accordance with Article 136(1);
  - (d) recommendations under the excessive deficit procedure;
  - (e) recommendations under the excessive imbalances procedure;

- (f) union support under the medium-term balance of payments facility;
- (g) union support under the European financial stabilisation mechanism;
- (h) financial assistance under the European Stability Mechanism.

68. If a Member State fails to take effective action in response to a request from the Commission to review and propose amendments to its Partnership Contract and the relevant programmes, part or all of payments [may] be suspended.

69. Where it is concluded that a Member State has not taken sufficient action under:

- (a) specific measures addressed to euro area Member States in accordance with Article 136(1);
- (b) the excessive deficit procedure;
- (c) the macro-economic imbalances procedure;
- (d) a programme under the medium-term balance of payments facility;
- (e) a programme under the European financial stabilisation mechanism;
- (f) financial assistance under the European Stability Mechanism.

70. Part or all of commitments and [payments] [shall] be suspended.

71. [The proposal to suspend [commitments] [and payments] shall be made by the Commission and will be considered automatically adopted by the Council, unless the Council rejects such a proposal by qualified majority within one month.] Any decisions on suspensions will be proportionate and effective, taking into account the economic and social circumstances of the Member State concerned, and respect equality of treatment between Member States, in particular with regard to the impact of the suspension on the economy of the Member State concerned. Priority should be given to the suspension of commitments; payments should only be suspended when immediate action is sought and in case of non-compliance.

72. The suspension of commitments shall be subject to a "double capping" methodology.
- (a) a capping of maximum X% of the CSF funds in the first case of an excessive deficit procedure (EDP) and maximum X% of the CSF funds in the first case of an excessive imbalance procedure (EIP). The level of the suspension should be gradual and increase up to a maximum of Y% of the CSF funds in the case of an excessive deficit procedure and up to Y% of the CSF funds in the case of an excessive imbalance procedure, in line with the seriousness of the breach.
  - (b) a capping of a maximum 0.X% of nominal GDP applying to a first breach of an excessive deficit procedure (EDP) according to Art. 21 (6b) of the CSF regulation and a maximum of 0.X% of nominal GDP applying to a first breach of an excessive imbalance procedure (EIP) according to Art. 21 (6c) of the CSF regulation. If non-compliance persists, the percentage of this GDP cap should be gradually increased up to a maximum of 0.Y% of nominal GDP applying to a further breach of an excessive deficit procedure (EDP) according to Art. 21 (6b) of the CSF regulation and a maximum of 0.Y% of nominal GDP applying to a further breach of an excessive imbalance procedure (EIP) according to Art. 21 (6c) of the CSF regulation, in line with the seriousness of the breach.
73. Without prejudice to de-commitment rules the suspensions will be lifted [by the Commission] and funds made available again to the Member State concerned as soon as the Member State takes the necessary action.
74. Paragraph 68 relating to paragraph 67 (a), (b), (d) and (e) and paragraph 69 (b) and (c) shall not apply to the UK as a consequence of the Protocol (no 15) annexed to the TEU and the TFEU, cf. the report "Strengthening economic governance in the EU" by the Task Force on 21. October 2010.

### *Performance reserve*

75. All Member States [shall] establish a national performance reserve for the Investment for growth and jobs goal consisting of 5% of its total allocation, which will facilitate the focus on performance and the attainment of the Europe 2020 objectives. The modalities of the performance reserve will be defined in the relevant sectoral Regulation.

### *Pre-financing rates*

76. [The pre-financing payment at the start of programmes ensures that Member States have the means to provide support to beneficiaries in the implementation of the programme from the start. The following levels of pre-financing should therefore apply for the ERDF, ESF and CF:

The initial pre-financing amount will be paid in instalments as follows:

- (a) in 2014: [X to 2] % of the amount of support from the Funds for the entire programming period to the operational programme;
- (b) in 2015: [X to 1] % of the amount of support from the Funds for the entire programming period to the operational programme;
- (c) in 2016: [X to 1] % of the amount of support from the Funds for the entire programming period to the operational programme.

If an operational programme is adopted in 2015 or later, the earlier instalments will be paid in the year of adoption.

For the EAFRD and EMFF the initial pre-financing will also be a total of [X to 4]% with the first instalment being [X to 2] % and a maximum of three instalments.]

OR

[There will not be pre-financing for the period 2014-2016.]

### *Other regulatory provisions*

77. All programmes will be submitted to a decommitment procedure established on the basis that amounts linked to a commitment which are not covered by pre-financing or a request for payment within a period of N+2 will be decommitted<sup>1</sup>. [As regards programmes supported by the ERDF, ESF and CF, the decommitment will not apply to the 2014 budget commitment. For the purpose of the decommitment, one sixth of the 2014 commitment will be added to each of the 2015 to 2020 budget commitments].

#### *Appraisal*

78. To allow for a detailed assessment of the quality of spending, the Commission will transmit each year to the Council and to the European Parliament a summary report (based on the annual implementation reports of the Member States) and a synthesis of all available evaluations of Partnership Agreements and Programmes. In addition, two strategic reports will be presented during the programming period.
79. On the basis provided in paragraph 78 the European Council will be annually informed about the implementation and results of the CSF funds.

#### *Application of the competition principle to project selection*

80. Member States must ensure that the selection of projects is based on procedures and criteria, which are non-discriminatory, transparent and in full compliance with Union and national law so that only the best projects are chosen

#### 81. VAT

- (a) [VAT shall not be eligible for a contribution from the CSF Funds [and from the EUR X to 7 000 million transferred from the Cohesion Fund to the Connecting Europe Facility]].

OR

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<sup>1</sup> Under the working assumption that Croatia will join the Union in 2013, its special needs will have to be examined.



- (b) [Recoverable VAT shall not be eligible for a contribution from the CSF Funds [and from the EUR X to 7 000 million transferred from the Cohesion Fund to the Connecting Europe Facility]. However VAT amounts shall be eligible where they are not recoverable under national VAT legislation and are paid by a beneficiary other than non-taxable person as defined in the first subparagraph of Article 13(1) of Directive 2006/112/EC, provided that such VAT amounts are not incurred in relation to the provision of infrastructure.]

OR

- (c) [Recoverable VAT shall not be eligible for a contribution from the CSF Funds [and from the EUR X to 7 000 million transferred from the Cohesion Fund to the Connecting Europe Facility].

### **HEADING 3 - SECURITY AND CITIZENSHIP**

82. Actions under this Heading constitute a diversified range of programmes targeted to security and citizens where cooperation at Union level offers value added. This includes in particular actions in relation to asylum and migration and initiatives in the areas of external borders and internal security as well as measures in the field of justice. Particular emphasis will be given to insular societies who face disproportional migration challenges. Actions within this Heading also support efforts to promote citizen participation in the European Union, including through culture, linguistic diversity and the creative sector. Furthermore, it covers measures to enhance public health and consumer protection. Simplification of programmes will ensure a more efficient and effective future implementation of actions in this area.
83. The level of commitments for this Heading will not exceed *EUR[X to 18 109 million]* :

HEADING 3 - SECURITY AND CITIZENSHIP						
(Million euros, 2011 prices)						
2014	2015	2016	2017	2018	2019	2020
X	X	X	X	X	X	X

#### **HEADING 4 - GLOBAL EUROPE**

84. External policies are a major field of action for the EU, which has been reinforced within the new institutional framework of the Lisbon Treaty. The MFF must underpin the EU's determination to develop its role as an active player on the international scene, with regional and global interests and responsibilities. Its financing instruments will strengthen EU's cooperation with partners, support the objectives of promoting EU values abroad, projecting EU policies in support of addressing major global challenges, increasing the impact of EU development cooperation, investing in the long-term prosperity and stability of the EU's Neighbourhood, supporting the process of EU enlargement, enhancing European solidarity following natural or man-made disasters, improving crisis prevention and resolution and combating climate change. Where appropriate and subject to objective criteria, support to partners will be adapted to their development situation and commitment and progress with regard to human rights, democracy, the rule of law and good governance. Increased flexibility within Heading 4 and efficiency in implementation will underpin this.
85. The level of commitments for this Heading will not exceed *EUR [X to 64 650 million]*:

HEADING 4 - GLOBAL EUROPE						
(Million euros, 2011 prices)						
2014	2015	2016	2017	2018	2019	2020
X	X	X	X	X	X	X

86. A key priority for Member States is to respect the EU's formal undertaking to collectively commit 0.7% of GNI to official development assistance by 2015, thus making a decisive step towards achieving the Millennium Development Goals. The European Union should as part of this commitment therefore aim to ensure over the period 2014-2020 that at least 90% of its overall external assistance be counted as official development assistance according to the present definition established by the OECD Development Assistance Committee (DAC).
87. The Emergency Aid Reserve, the objective of which is to ensure capacity to respond rapidly to specific and unforeseeable aid requirements of third countries (humanitarian operations, civil crisis management and protection, migratory pressures), will be included under Heading 4 with a maximum annual amount of EUR [X to 279 million] (2011 prices).

## HEADING 5 - ADMINISTRATION

88. This Heading, as all other Headings, will have to be revised downwards. It is essential to continue the technical discussion in order to arrive to an amount of meaningful reductions.
89. The need to consolidate public finances in short, medium and long term requires a particular effort by every public administration and its staff to improve efficiency, effectiveness and adjust to the changing economic context. Taking these fundamental circumstances as well as a number of specific factors determining the level of administrative expenditure and the need to preserve a highly professional and geographically balanced EU administration into account, the level of commitments for this Heading will not exceed :

HEADING 5 - ADMINISTRATION						
(Million euros, 2011 prices)						
2014	2015	2016	2017	2018	2019	2020
X	X	X	X	X	X	X

90. Within such a ceiling, expenditure for administrative expenditure of institutions, excluding pensions and European Schools, will not exceed the following sub-ceiling.

Sub ceiling administrative expenditure (excluding pensions and European Schools)						
(Million euros, 2011 prices)						
2014	2015	2016	2017	2018	2019	2020
X	X	X	X	X	X	X

91. The abovementioned ceilings, will also include the effects of the following savings:
- In the context of general fiscal consolidation and recognising the need for a particular effort on savings, a reduction applied to all EU institutions, bodies, agencies and their administrations of [X]% in the staff over the period [2013-20XX] [so as to realize savings of [X] million euro over 2014-2020].

- [x] million euro in the period 2014-2020 should be ensured through reforms of the staff regulation. The development in costs for pensions will also be addressed in the reform of the staff regulation.
- [x] million euro in the period 2014-2020 should be ensured in total non-staff expenditure.

Officials of all EU institutions will contribute to these further savings through, *inter alia*, a solidarity levy, increased weekly working time without pay compensation, increased retirement age, restructuring of careers and rationalisation of allowances.

92. The savings referred to in paragraph 91 shall be made binding through their insertion into the Inter Institutional Agreement on budgetary discipline and sound financial management.

## **HORIZONTAL ISSUES - INSTRUMENTS OUTSIDE THE MFF AND FLEXIBILITY**

93. The MFF will include, as a rule, all items for which EU financing is foreseen, as a means of ensuring transparency and appropriate budget discipline. However, given their specificities, the flexibility instrument, the Solidarity Fund, the European Globalisation Adjustment Fund and the EDF will be placed outside the MFF.
94. The Union must have the capacity to respond to exceptional circumstances, whether internal or external. At the same time, the need for flexibility must be weighed against the principle of budgetary discipline and transparency of EU expenditure including the agreed level of spending. Therefore, a number of flexibility instruments are built into the MFF:
- within Heading 2 a new reserve for crisis in the agricultural sector is created to bring support in case of major crisis affecting agricultural production or distribution;
  - within Heading 4 the emergency aid reserve will continue to ensure capacity to respond rapidly to specific and unforeseeable aid requirements.

It is in the nature of flexibility instruments that they are only mobilised in case of need.

95. [The European Union Solidarity Fund, the objective of which is to bring financial assistance in the event of major disasters, will continue to be financed outside the MFF with a maximum annual amount of EUR [X to 750 million] (2011 prices).]
96. The Flexibility Instrument, the objective of which is to finance clearly identified and unforeseen expenditures, will continue to be financed outside the MFF with a maximum annual amount of EUR [X to 485 million] (2011 prices).
97. [The European Globalisation Adjustment Fund will continue to be financed outside the MFF with a maximum annual amount of EUR [X to 245 million] (2011 prices).]
98. [The contingency reserve should be created] OR [The contingency reserve should not be created.]

99. The EU's assistance to the ACP countries has traditionally been financed outside the EU budget for historical and legal reasons. Whilst it would make sense, in principle, to bring this expenditure within the EU budget, in the current circumstances, with the Cotonou agreement due to expire in 2020, the EDF will remain outside the 2014-2020 MFF<sup>1</sup>. It is noted, that the Commission intends to propose the budgetisation of the EDF as of 2021. The contribution key for the 11th EDF is contained in annex 2.

#### *Administrative expenditure outside Heading 5*

100. [Administrative expenditure outside Heading 5 will as a percentage of the total MFF amount remain constant / increase by maximum [x]/decrease by [x] during the period 2014-2020 compared to 2013.]

#### *Improved and increased EIB involvement*

101. The EIB is already supporting growth considerably e.g. by providing loans to Member States which otherwise could not provide co-financing for structural funds or by implementing joint financial instruments. EIB involvement should be enhanced by:

- (a) involving EIB expertise early in project co-financed by EU and EIB;
- (b) by ensuring that EIB is informed about projects receiving EU support;
- (c) involving the EIB in the ex ante appraisal of large projects including through Jaspers
- (d) involving the EIB wherever appropriate in activities related to technical assistance.

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<sup>1</sup> As indicated in point 2 of the cover note, EDF, like all the others Headings of MFF and instruments outside MFF, will also need to be subject to reduction efforts.

## **PART II : REVENUE**

102. The own resources arrangements should be guided by the overall objectives of simplicity, transparency and equity.<sup>1</sup> The total amount of own resources allocated to the Union budget to cover annual appropriations for payments shall not exceed 1.23% of the sum of all the Member States' GNIs. The total amount of appropriations for commitments entered in the Union budget shall not exceed 1.29% of the sum of all the Member States' GNIs. An orderly ratio between appropriations for commitments and appropriations for payments shall be maintained to guarantee their compatibility.
103. The new system of own resources of the European Union will enter into force on the first day of the month following receipt of the notification of its adoption by the last Member State. All its elements will apply [retroactively] from [1 January 2014].

### *Traditional own resources*

104. The system for collection of traditional own resources will remain unchanged.  
[However, from [1 January 2014], Member States shall retain, by way of collection costs<sup>2</sup>, [10-25]% of the amounts collected by them.]

### *VAT-based own resource<sup>3</sup>*

- 105.
- (a) [The existing own resource based on value added tax (VAT) will be eliminated in its current form as of [1 January 2014].]

OR

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<sup>1</sup> *In the Presidency's view there is a need to reach a political understanding on the way forward in order to ensure that all sides feel that the revenue system is consistent with the Treaty of the European Union.*

<sup>2</sup> *The Presidency recognizes that the issue of collection costs should be examined in the wider context of own resources and corrections and cannot be examined in isolation.*

<sup>3</sup> *The introduction of a VAT-based own resource looks uncertain, partly due to the absence of adequate data. The Presidency invites the Commission to provide further data on its effect at Member State level.*



- (b) [The existing own resource based on value added tax (VAT) will be maintained  
[with the following changes: XX].]

106. *(if option 103 (a) is retained:)*

- (a) [A new VAT-based own resource will be introduced which will be calculated on the basis of a share of the net total VAT receipts collected by Member States. A share of [1%]/[not exceeding 2%] of the net value of supplies of goods and services subject to a standard rate of VAT in every Member State shall be applicable [; for the years 2014 to 2020 the applicable rate shall be set at [1 %]] . A single Union average proportion of the value of chargeable supplies compared to the value of total supplies will be determined prior to the start of the Multiannual Financial Framework and will be applied during its duration.]

OR

- (b) [A new VAT-based own resource will not be introduced.]

*FTT-based own resource<sup>1</sup>*

107.

- (a) *[On 28 September 2011, the European Commission made a proposal for a Council Directive on a common system of financial transaction tax (FTT). Based on the request of (eleven) Member States, the Commission proposed on 23 October 2012 a Council Decision authorising enhanced cooperation in the area of FTT. As soon as a common system of FTT has come into effect, possibly under enhanced cooperation, it shall become the base for a new own resource for the EU budget. The new FTT-based own resource shall be levied in the amount of a share [of two thirds] of the amounts collected by Member States according to the minimum FTT rates set out in the relevant Council Directive. The GNI-based resource of the participating Member States shall be reduced correspondingly]*

OR

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<sup>1</sup> *In the Presidency's view, the option for the introduction of a FTT-based "own resource" on the basis of enhanced cooperation needs to be discussed further in order to explore whether political*

- (b) [A new own resource based on a system of financial transaction tax will not be introduced.]

*Other potential future new revenue sources*

108. [The Commission may consider examining other potential future new revenue sources in order to increase the share of the budget being financed by own resources.]

*GNI-based own resource*

109. The method of applying a uniform rate for determining Member States' contributions to the existing own resource based on gross national income (GNI) will remain unchanged.

*Implementing regulation*

110.

- (a) [On the basis of Art. 311(4) TFEU, a Council Regulation laying down implementing measures is established, setting in particular [the applicable shares and rates for own resources, within the limits established in the Own Resources Decision], [the procedure to deal with significant changes to GNI] and [provisions concerning control and supervision, including reporting requirements].]

OR

- (b) [No implementing regulation is established.]

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*reservations and legal obstacles can be surpassed.*

## Corrections<sup>1</sup>

111.

- (a) [All existing correction mechanisms in the current system of own resources of the European Union will be replaced, as of [1 January 2014], by temporary corrections in the form of lump sum gross reductions in annual GNI-based contributions during the period [2014-2020] for the following Member States:

[- EUR [2 500 million] for Germany,]

[- EUR [1 050 million] for the Netherlands,]

[- EUR [350 million] for Sweden,]

[- EUR [3 600 million] for the United Kingdom].

Lump sums will be financed by all Member States based on the GNI key.]

OR

- (b) [All existing correction mechanisms in the current system of own resources of the European Union will be completely eliminated as of [1 January 2014]. No new correction mechanisms will be introduced.]

OR

- (c) [The existing correction mechanisms in the current system of own resources of the European Union will continue to apply also under the new system of own resources [with the following changes: XX].]

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<sup>1</sup> A Presidency Issues Paper, accompanied by a Commission non-paper, focused on the issue of corrections and associated methodological issues. The discussion focused on the following questions: Should to the extent possible, a harmonised horizontal approach be used for all corrections, including their financing; Should a higher level of relative prosperity correspond to a higher affordable, net, contribution?; Should corrections apply only in case of excessive net contributions?; What form should corrections have? Should corrections, as a rule, be defined as lump sums or should they take different forms?; Should all Member States contribute to the financing of corrections? If so, should they contribute according to the GNI key?; Should corrections, to the extent possible, be limited to the duration of the next MFF?; The discussion revealed differing positions amongst the Member States. In that paper the Presidency re-iterated that the principle agreed at the Fontainebleau European Council should be respected.

TABLE 1: MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020 (EU-28)

(EUR million - 2011 prices)

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
<b>1a. Competitiveness for growth and jobs</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>of which: Galileo, ITER and GMES</b>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>
<b>1b. Economic, social and territorial cohesion</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>2. Sustainable Growth : Natural Resources</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>of which : Market related expenditure and direct payments</b>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>
<b>3. Security and citizenship</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>4. Global Europe</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>5. Administration</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>of which : Administrative expenditure of the institutions</b>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>X</u>
<b>6. Compensations</b>	<u>X</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>X</u>
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>as a percentage of GNI</b>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>
<b>TOTAL PAYMENT APPROPRIATIONS</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>as a percentage of GNI</b>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>
<b>Margin available</b>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>
<b>Own Resources Ceiling as a percentage of GNI</b>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>
<b>OUTSIDE THE MFF</b>								
<b>European Globalisation Fund</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>Solidarity Fund</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>Flexibility Instrument</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>EDF ACP</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>EDF OCT</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>TOTAL OUTSIDE THE MFF</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>as a percentage of GNI</b>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>
<b>TOTAL MFF + OUTSIDE THE MFF</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>as percentage of GNI</b>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>

**TABLE 2: MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020 (EU-28)**  
**(EUR million - current prices using a fixed deflator of 2%)**

<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>1a. Competitiveness for growth and jobs</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>of which: Galileo, ITER and GMES</b>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>
<b>1b. Economic, social and territorial cohesion</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>2. Sustainable Growth : Natural Resources</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>of which : Market related expenditure and direct payments</b>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>
<b>3. Security and citizenship</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>4. Global Europe</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>5. Administration</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>of which : Administrative expenditure of the institutions</b>	<u>x</u>	<u>x</u>	<u>X</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>	<u>x</u>
<b>6. Compensations</b>	<u>X</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>X</u>
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>as a percentage of GNI</b>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>
<b>TOTAL PAYMENT APPROPRIATIONS</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>as a percentage of GNI</b>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>
<b>Margin available</b>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>
<b>Own Resources Ceiling as a percentage of GNI</b>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>	<u>1.23%</u>
<b>OUTSIDE THE MFF</b>								
<b>Flexibility Instrument</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>EDF ACP</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>EDF OCT</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>TOTAL OUTSIDE THE MFF</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>as a percentage of GNI</b>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>
<b>TOTAL MFF + OUTSIDE THE MFF</b>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
<b>as percentage of GNI</b>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>	<u>x%</u>

**11th European Development Fund contribution key**

The Contribution key for the 11<sup>th</sup> EDF will be (a) OR (b) OR (c):

	<b>(a) Commission proposal for 11<sup>th</sup> EDF contribution key</b>	<b>(b) 10<sup>th</sup> EDF contribution key</b>	<b>(c) GNI key financing 2012 budget</b>
BE	3,25%	3,53%	2,98%
BG	0,22%	0,14%	0,30%
CZ	0,80%	0,51%	1,09%
DK	1,98%	2,00%	1,97%
DE	20,58%	20,50%	20,75%
EE	0,09%	0,05%	0,12%
IE	0,94%	0,91%	0,97%
EL	1,51%	1,47%	1,55%
ES	7,93%	7,85%	8,05%
FR	17,81%	19,55%	16,15%
IT	12,53%	12,86%	12,26%
CY	0,11%	0,09%	0,13%
LV	0,12%	0,07%	0,16%
LT	0,18%	0,12%	0,24%
LU	0,26%	0,27%	0,24%
HU	0,61%	0,55%	0,68%
MT	0,04%	0,03%	0,05%
NL	4,78%	4,85%	4,72%
AT	2,40%	2,41%	2,40%
PL	2,01%	1,30%	2,73%
PT	1,20%	1,15%	1,25%
RO	0,72%	0,37%	1,07%
SI	0,22%	0,18%	0,27%
SK	0,38%	0,21%	0,54%
FI	1,51%	1,47%	1,56%
SE	2,94%	2,74%	3,15%
UK	14,68%	14,82%	14,60%
HR	0,23%		