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EUROPEAN COUNCIL CONCLUSIONS ON THE MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020 AND THE CAP

NOTE

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POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

AGRICULTURE AND RURAL DEVELOPMENT

EUROPEAN COUNCIL CONCLUSIONS ON THE MULTIANNUAL FINANCIAL FRAMEWORK 2014–2020 AND THE CAP

NOTE

This document was requested by the European Parliament's Committee on Agriculture and Rural Development.

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Abstract:

This is the second working paper written by Policy Department B on the CAP inside the Multiannual Financial Framework for the 2014–2020 period. The purpose of this document is to provide a comparison between the European Council Conclusions of 7–8 February 2013 and the positions of the EP at the current stage of the financial and sector specific CAP negotiations. The aim is to provide qualitative and quantitative information to COMAGRI Members relating to the financial concerns of the CAP in order to support the ongoing trilogue negotiations.

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LIST OF ABBREVIATIONS

CAP Common Agricultural Policy

CMO Common Market Organisation (CAP)

COBU European Parliament's Committee on Budgets

COMAGRI European Parliament's Committee on Agriculture and Rural Development

DP Direct Payments (CAP)

EAFRD European Agricultural Fund for Rural Development

EAGF European Agricultural Guarantee Fund

EC European Commission

EIP European Innovation Partnership

EMFF European Maritime and Fisheries Fund

EP European Parliament

ESF European Social Fund

EU European Union

FPAs Fisheries Partnerships Agreements

GNI Gross National Income

HZR Horizontal Regulation (CAP)

IIA Interinstitutional Agreement

MFF Multiannual Financial Framework

MS Member States (of the European Union)

RD Rural Development (CAP)

RFMOs Regional Fisheries Management Organisations

TEU Treaty on European Union

TFEU Treaty on the Functioning of the European Union

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1. INSTITUTIONAL BACKGROUND

1.1. TFEU provisions on the Multiannual Financial Framework (MFF)

The Treaty of Lisbon incorporated for the first time the '*Multiannual Financial Framework*' (MFF) ([1]) and its rules into primary legislation through Articles 310(4) ([2]), 320 ([3]) and, in particular, **Article 312 of the TFEU** (*Treaty of the Functioning of the European Union*) ([4]). This Article 312:

- establishes the duration of the existing MFF (**at least five years**) (Article 312(1));
- creates a *special legislative procedure* for the adoption of the **Regulation laying down the MFF**, entailing new cooperation arrangements among the European Institutions, so that the decision on the MFF will be taken by the Council deciding unanimously **after** receiving **the Parliament's consent** given by a majority of its component members (Article 312(2), first paragraph);
- stipulates the **role of the European Council** who may, unanimously, adopt a decision *authorising the Council* to act by a qualified majority when adopting the MFF regulation (Article 312(2), second paragraph);
- formalises the *contents of the Union's multiannual programming*, based on categories of expenditure corresponding to the Union's major sectors of activity; the **MFF determines the amounts of the annual ceilings** on commitment and payment appropriations (Article 312(3));
- stipulates that *if no regulation determining a new MFF has been adopted* by the end of the previous financial framework, the ceilings and '*other provisions*' corresponding to the last year shall be extended until such time as that act is adopted (Article 312(4)); following these provisions, **if there is no agreement** before the end of 2013, the **current ceilings will be automatically extended to 2014, plus a 2% inflation** adjustment ([5]);
- and, finally, the TFEU imposes on the European Institutions the duty to carry out negotiations in order **to ensure the adoption** of the Multiannual Financial Framework (Article 312(5)).

On the other hand, the TFUE did not modify the provisions on **EU own resources**. However, the MFF regulation and own resources are closely linked and the MFF package 2014–2020 will include new legislative acts fixing the ceilings of future EU revenues as well as their implementing rules.

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1 Policy Department B already published a first working paper on agricultural spending inside the MFF 2014/2020 proposal: "*The CAP in the Multiannual Financial Framework 2014/2020*", IP/B/AGRI/NT/2011_12, PE 460.067, 14 October 2011. Available at: http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=49111. This note continues and updates the former analysis completed in 2011.

2 Article 310(4) TFEU inserts provisions on '*budgetary discipline*', which also mention the «*Multiannual Financial Framework*».

3 Article 320 TFEU stipulates that the MFF shall be drawn up in Euros.

4 Consolidated versions of the Treaty on European Union (TEU) and of the Treaty on the Functioning of the European Union (TFEU) are available in the OJ C 83 of 30 March 2010. See: http://www.consilium.europa.eu/treaty-of-lisbon.aspx?lang=en and http://eur-lex.europa.eu/JOHtml.do?uri=OJ:C:2010:083:SOM:EN:HTML

5 In this eventuality, the European Parliament would be ready to reach a swift agreement with the Council and Commission to adapt the current structure of the MFF to reflect the new political priorities (see Point 83 of EP Resolution of 23.10.2012 - P7_TA(2012)0360 - and Point 15 of EP Resolution of 13.3.2013 - P7_TA(2013)0078).

- **The Treaty of Lisbon consolidated the "Multiannual Financial Framework' as well as developing its legislative rules inside the TFEU.**

1.2. Current MFF interinstitutional negotiations

According to Article 14(1) of the TEU, it falls to the European Parliament and Council, the ordinary legislative bodies, to launch formal negotiations on the future *MFF*.

1.2.1. The start of the process: the MFF package

The negotiating process on the MFF 2014–2020 began with the Resolution adopted by the **EP Plenary on 8 June 2011** ([6]) defining its main political priorities. Three weeks later, on **29 June**, the Commission presented the **financial package** for the 2014–2020 period (**Table 1**).

The MFF package includes a comprehensive Communication (COM (2011) 500) and some legislative proposals following different procedures enshrined in the Treaty ([7]). These proposals consist of *three main parts*:

- one **Regulation laying down the MFF** for the years 2014–2020 by means of the *'special legislative procedure'* mentioned in Article 312(2) TFEU, including the necessary consent from the European Parliament which can reject but not amend it ([8]);
- five acts relating to own resources: the **Decision on the EU system of own resources** of the European Union to be adopted by the Council unanimously after merely consulting the European Parliament, entering into force after the ratification by the National Parliaments (Article 311, third paragraph, TFEU) ([9]); one **Council Regulation laying down implementing measures** for the system of own resources in accordance with a 'special legislative procedure' as is established by Article 311, fourth paragraph, TFEU (to be adopted by a qualified majority in the Council after obtaining the consent of the European Parliament) ([10]); and **three Council's Regulations on the methods and procedures for making available the different own resources**, to be adopted by a qualified majority in the Council after consultation with the European Parliament (pursuant to Article 322, second paragraph, TFEU) ([11]);
- an **Interinstitutional Agreement** (IIA) on cooperation in budgetary matters and on sound financial management (pursuant to Article 295 TFEU) ([12]), designed to replace the current IIA, adopted in 2006 ([13]).

[6] Resolution P7_TA(2011)0266 (http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2011-0266+0+DOC+XML+V0//EN&language=EN).
[7] Communication COM (2011) 500 and the legislative proposals annexed to it are available at: http://ec.europa.eu/budget/biblio/documents/fin_fwk1420/fin_fwk1420_en.cfm. For further details on the progress in the MFF's interinstitutional negotiations, see: http://ec.europa.eu/budget/reform/index_en.htm.
[8] COM (2011) 398 of 29.6.2011, modified later by the Commission in order to include Croatia (COM (2012) 388).
[9] COM (2011) 510 of 29.6.2011, subsequently amended by COM (2011) 739 of 9.11.2011.
[10] COM (2011) 511 of 29.6.2011, modified by COM (2011) 740 of 9.11.2011.
[11] COM (2011) 512 of 29.6.2011, modified and completed by the COMs (2011) 737, 738 and 742 of 9.11.2011.
[12] COM (2011) 403 of 29.6.2011.
[13] OJ C 139 of 14.6.2006. The 2006 IIA was subsequently amended in regards to its MFF provisions in order to address the additional financing needs of the ITER project (Decision 2012/5/UE, OJ L 4 of 7.1.2012). Documents available at:

Table 1: Institutional chronology of the MFF and CAP negotiations

FINANCIAL NEGOTIATIONS (MFF 2014–2020)	AGRICULTURAL NEGOTIATIONS (CAP Reform)
Preparatory phase: main institutional events	**Preparatory phase: main institutional events**
8.7.2010 to 30.6.2011 PARLIAMENT. *SURE Committee's previous works on the MFF2014–2020* **8.6.2011** PARLIAMENT: *Resolution on the MFF* **28.6.2011** COUNCIL: *Internal organisation of its works* **29.6.2011** COMMISSION: *Proposal of financial package (COM (2011) 398, 403, 500, 510 - 512)* **9.11.2011** COMMISSION: *Amended proposals on financial package (COM (2011) 737 to 742)* **13.6.2012** PARLIAMENT: *Resolution on the MFF and the EU system of own resources* **6.7.2012** COMMISSION: *Amending Proposal on the EU-28 MFF, including Croatia (COM (2012) 388)* **23.10.2012** PARLIAMENT: *Resolution on the MFF* **29.12.2012** COUNCIL: *Final version of "Negotiating Box" adopted by the Council Presidency*	**8.7.2010** PARLIAMENT: *Resolution on the new CAP* **30.9.2010** COMMISSION: *Presentation of twoproposals on the alignment with the Treaty(COM (2010) 537 and 539)* **18.11.2010** COMMISSION: *Communication on the CAP 2020 (COM (2010) 672)* **15.12.2010** COMMISSION: *Proposal of alignment with the Treaty (COM (2010) 745 - CAPFinancing)* **21.12.2010** COMMISSION: *Proposal of alignment with the Treaty (COM (2010) 799 - Single CMO)* **23.6.2011** PARLIAMENT: *Resolution on the Commission's CAP Communication (COM (2010) 672)* **12.10.2011** COMMISSION: *Presentation of CAP proposals (COM (2011) 625 to 631)* **4.7.2012** PARLIAMENT: *Resolutions on the alignment of agricultural acts to the Treaty (four orocedures without Council's position and subsequently blocked)* **20.11.2012** PARLIAMENT: *Resolution amending Rule 70 of EP Internal rules*
Legislative phase: main institutional events	**Legislative phase: main institutional events**
8.2.2013 EUROPEAN COUNCIL: *Conclusions on the MFF 2014–2020* **13.3.2013** PARLIAMENT: *Resolution rejecting Conclusions of the European Council on MFF and adopting EP's mandate (P7_TA(2013)0078)* **6.5.2013** *Trilateral Presidents' agreement on the beginning of the MFF negotiations* **13.5.2013** *Launch of financial negotiations* **14.5.2013** COUNCIL: *ECOFIN's political agreement on the draft amending budget for 2013* **16.5.2013** PARLIAMENT: *COBU's political on the draft amending budget for 2013* **28.5.2013** COMMISSION: *Communication of intended Rural Development allocations 2014–2020*	**13.3.2013** PARLIAMENT: *Adoption of the mandates concerning the four basic acts of the new CAP* **25.3.2013** COUNCIL: *Adoption of the mandates concerning the four basic acts of the new CAP* **11.4.2013** *Launch of the trilogues on the four main acts of the new CAP* **27-28.5.2013** COUNCIL. *Informal Council in Dublin*

Source: European Parliament, Policy Department B.

http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:139:0001:0017:EN:PDF and http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:004:0012:0013:EN:PDF.

1.2.2. Preparatory works: main steps

In accordance with Article 16(6) TEU and Article 2(2) of the Internal Rules of Procedure, the Council attributed to the **General Affairs Council** the responsibility for the conduct of the work on the multiannual financial framework, supported by COREPER (the committee of ambassadors of 27 Members States) and the *'Friends of the Presidency'* working party (constituted of national experts on the financial items) ([14]). As far as the European Parliament was concerned, the **Contact Group** (led by the President of the Assembly) and the **Budget Committee (COBU)** were in charge of the MFF negotiations.

On **23 October 2012**, immediately before the European Council Summit of November 2012 dedicated to the MFF, the European Parliament adopted a second resolution confirming the broad outline of its position ([15]) (**Table 1**).

In order to narrow the gap between Member States and to focus the MFF negotiations, the Presidency of the Council had outlined the most central issues and options in a «**Negotiating Box**». On **29 October 2012**, the Presidency of the Council approved its final version to be presented to the European Council ([16]) (**Table 1**).

1.2.3. The legislative negotiations: main steps

According to Article 312(2), second paragraph, TFEU, the **European Council's Summit** which took place on 7–8 February 2013 reached agreement on the **Multiannual Financial Framework 2014–2020** ([17]) (**Table 1**). This political compromise of the EU Heads of State and Government constitutes no more than a **negotiating mandate for the Council** fixing the levels of commitments as well as other financial provisions for the 2014–2020 period. In fact, the European Council does not have the role of legislator in the Treaty, but just the mission to provide necessary impetus for developing European integration as well as to define the general political directions and priorities thereof (Article 15(1) TEU).

We can presume that the agreement reached by the European Council in February represents a point of balance between the opposing national interests. The long string of national exceptions and specific compensations inserted inside the Summit's Conclusions confirm the arduous compromise which was finally reached by Member States ([18]). It is the responsibility of the European Parliament to check if this compromise coincides with the European citizens' interests (according to Article 10(2) TEU).

In the document of Conclusions of the Summit (Point 11, last paragraph), the European Council invited to the (Irish) Presidency of the Council to rapidly take forward **discussions with the European Parliament** in order to adopt as soon as possible **the legislative texts.** These new regulations are to be considered as **a whole**, even though different

[14] For the work in practice inside the Council, see: http://www.consilium.europa.eu/special-reports/mff/the-work-in-practice?lang=en and http://www.consilium.europa.eu/special-reports/mff/2-tracks.

[15] Resolution P7_TA(2012)0360 (http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0360+0+DOC+XML+V0//EN&language=EN).

[16] http://www.consilium.europa.eu/media/1775173/st15599en12.pdf

[17] The 7/8 February 2013 European Council Conclusions on the MFF are available at: http://www.consilium.europa.eu/press/press-releases/european-council?lang=en&BID=76 and, in particular, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf (EUCO 37/13 of 8.2.2013).

[18] See, for example, §5.4.1.

legislative procedures and institutional powers are involved in their adoption (see §1.2.1). So, the principle that *'nothing is agreed until everything is agreed'* is in play ([19]).
The **EP's mandate** to negotiate the MFF package was approved on 13 March 2013 (**Table 1**). The EP Resolution rejected the European Council Conclusions in their 'current form' and reiterated the main political outlines of the position of the House ([20]). Nonetheless, the EP confirmed its willingness to enter into fully fledged negotiations with the Council on all provisions of the MFF Regulation and the IIA ([21]).

Even though both financial mandates of the EP and Council were confirmed, the negotiations on the MFF had a slow start. On 9 April, the Commission communicated the list of programmes under the MFF 2014–2020 and its indicative breakdown following the European Council Conclusions, in order to provide the basis for the financial negotiations ([22]). However, it was only on 6 May that the three Presidents of the European Parliament, the Council and the Commission held a meeting which formally opened the way to the start of financial negotiations (**Table 1**).

The **first trilateral meeting** took place only on 13 May (while, for comparison, the **CAP reform trilogues** were launched one month earlier, on 11 April) (**Table 1**). This meeting brought together the negotiating team of the EP, the Irish Presidency of the Council and the Commission. The representatives of the Institutions presented their positions and agreed on both the scope and calendar for the negotiations.

In function of the evolution of the fully-fledged negotiations between both legislative bodies and the Commission (trilogues), the Council would formally request **Parliament's consent** concerning the proposal of the *«MFF regulation»* ([23]) as well as the *«Decision on own resources»* for consultation (see §1.2.1).

- **The «MFF package 2014–2020» to be negotiated by the EU legislative bodies (European Parliament and Council) includes: 1) Regulation laying down the MFF; 2) Decision on the system of EU own resources; 3) four Regulations laying down implementing measures for the different own resources; and 4) Interinstitutional Agreement (IIA) on cooperation in budgetary matters and on sound financial management.**
- **The European Council Agreement of 7–8 February 2013 could be considered merely a political compromise among the EU Heads of State and governments. It constitutes a negotiating mandate for the General Affairs Council in order to take forward discussions with the European Parliament on the «MFF package».**
- **The EP's financial mandate was adopted on 13 March 2013. The financial trilateral meetings ('trilogues') started in May.**
- **Legal proposals on the 'MFF package' will be submitted to the EP in function of the development of prior negotiations between the legislative bodies (Council and EP) and the Commission.**

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[19] See Point 80 of EP Resolution of 23.10.2012 (P7_TA(2012)0360).
[20] P7_TA(2013)0078 of 13.3.2013 (available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0078+0+DOC+XML+V0//EN). See Section 2 - §3 for more details.
[21] Point 2 of the EP Resolution of 13.3.2013.
[22] http://register.consilium.europa.eu/pdf/en/13/st08/st08288.en13.pdf. The breakdown of the adjusted budget is commented on in Section 3.
[23] Following Rules 75 and 81 of Parliament's Procedure Rules ("*MFF*" and "*Consent procedure*"). On 10 April, COREPER began discussing the legislative texts (MFF regulation and IIA) to be presented to the European Parliament.

1.3. Relationship between the MFF Package and CAP Reform: the content of the «*Negotiating Box*» and the calendar for decision making

1.3.1. Financial and agricultural negotiations: the overlapping timetable

The **Multiannual Financial Framework 2014–2020** should be seen in the broader context of the **Europe 2020 Strategy** ([24]), presented by the Commission in March 2010. This dictated that future EU financing should, above all, be designed to help deliver smart, sustainable and inclusive growth. It also meant directing it towards collective challenges like infrastructure, energy or climate change.

Concerning agriculture, the Conclusions of the European Council of 17 June 2010, adopting the Europe 2020 Strategy ([25]) recognised that *«a sustainable productive and competitive agricultural sector will make an important contribution to the new strategy, considering the growth and employment potential of rural areas while ensuring fair competition»*.

Furthermore, the MFF negotiations which began in June 2011 are running in parallel with the negotiations on **CAP reform**, for which proposals were presented by the Commission in October 2011 ([26]) (**Table 1**). The EP **Committee on Agriculture and Rural Development** (COMAGRI) approved the amendments on the 'agricultural package' in January 2013. The Full House voted on the amended CAP dossiers on 13 March (**Table 1**). The Plenary votes on the main basic acts on the CAP took the form of four **negotiating mandates** ([27]).

It is worth noting that, on the same day of 13 March 2013 ([28]), the EP Plenary also adopted its negotiating mandate for the MFF package (see §1.2) confirming the links between both legislative processes. In other words, the **timings** of the MFF negotiation and the CAP reform process **converge and become mutually interdependent**. With the backdrop of budgetary cuts decided by the European Council, agriculture is particularly at the core of the financial negotiation process, given that the CAP is currently the **EU's single largest item of expenditure** (representing 43.3% of the total 2012 adopted Budget) ([29]).

In this context, the EP included inside each one of its agricultural mandates a reminder, as part of the *"whereas"* preamble, declaring that *«the **financial envelope** specified in the legislative proposal is only an indication to the legislative authority and **cannot be fixed***

[24] *"Europe 2020: A strategy for smart, sustainable and inclusive growth"*, COM (2010) 2020, 3.3.2010.
[25] Conclusions of European Council, 17 June 2010 (in particular, Point 5): http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/115346.pdf.
[26] http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index_en.htm. The CAP Reform proposals include *four new Regulations* on *Direct Payments (DP)*, *Rural Development (RD)*, markets policy (*CMO)* and *Financing, Management and Monitoring (Horizontal Regulation - HZR):*
- DP (COM (2011) 625): http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/com625/625_en.pdf
- CMO (COM (2011) 626): http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/com626/626_en.pdf
- RD (COM (2011) 627): http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/com627/627_en.pdf
- HZ (COM (2011) 628): http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/com628/628_en.pdf

[27] Four resolutions were adopted on 13 March 2013 on the main basic acts of the CAP: DP Regulation (B7-0079/2013); CMO Regulation (B7-0080/2013); RD Regulation (B7-0081/2013); and HZR Regulation (B7-0082/2013).
[28] Following new Rule 70(2) and Rule 70a of Parliament's Procedure Rules ("Procedure on interinstitutional negotiations in legislative procedures") as modified on 20 November 2012 (P7_TA(2012)0422): http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0422+0+DOC+XML+V0//EN.
[29] See: http://ec.europa.eu/budget/library/biblio/publications/2011/fin_report/fin_report_11_en.pdf (Financial Report 2011, pp. 96–97).

until agreement is reached *on the proposal for a regulation laying down the multiannual financial framework for the years 2014-2020»* ([30]).

1.3.2. Overlapping in content: the controversial scope of the «Negotiating Box»

It is important to highlight that the European Parliament has always **differentiated the fields of the MFF negotiations** and the **agricultural negotiations.** Relating to the MFF regulation, to be adopted by a special legislative procedure according to Article 312(2) TFUE, negotiations are conducted by the Budget Committee (COBU) and the so-called *'Contact Group'* inside the EP (see §1.2.2). The **CAP reform negotiations**, founded on the ordinary legislative procedure, are led by COMAGRI. On this basis, the EP's amendments already adopted in March (on direct support, single CMO, rural development and financing) **cover all provisions included in the legislative proposals** presented by the Commission.

In contrast to the European Parliament's approach, the **Council does not clearly differentiate between financial negotiations and the CAP process**. The Danish Presidency incorporated the overall financial questions relating to Heading 2 of the MFF into the so-called '**Negotiating Box**' including the:

- Overall size of agricultural spending inside Heading 2 and the division between Pillar 1 and Pillar 2;
- model for redistribution of direct support and convergence across Member States;
- capping of support to large farms;
- weight of the greening component of direct payments;
- flexibility between Pillars;
- criteria for distribution of rural development support;
- co-financing rates for rural development support;
- financial discipline rules, and
- funding of agricultural crisis reserve.

The **European Council Conclusions of 7–8 February have taken up again this financial logic**, mixing topics of the MFF Regulation and the CAP Reform ([31]). This approach risks distorting the Council mandates as well as the whole negotiations. It could also **undermine agricultural co-decision (and the competences of COMAGRI's negotiators)** if the Council insist imposing on the European Parliament its global agreement as only one package inside the MFF regulation.

Anyway, the European Parliament's Resolution of 23 October 2012 on MFF negotiations (Point 81) stated *«its firm position that the* ***MFF special legislative procedure should not address issues that are subject to ordinary legislative procedure****»* ([32]). The EP's Resolution of 13

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[30] The resolutions on the opening of, and mandate for, interinstitutional negotiations on CAP reform are available at:
- DP: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fTEXT%2bMOTION%2bB7-2013-0079%2b0%2bDOC%2bXML%2bV0%2f%2fEN&language=EN
- CMO: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fTEXT%2bMOTION%2bB7-2013-0080%2b0%2bDOC%2bXML%2bV0%2f%2fEN&language=EN
- RD: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fTEXT%2bMOTION%2bB7-2013-0081%2b0%2bDOC%2bXML%2bV0%2f%2fEN&language=EN
- HZ: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fTEXT%2bMOTION%2bB7-2013-0082%2b0%2bDOC%2bXML%2bV0%2f%2fEN&language=EN

[31] Points 64 to 75 of European Council of 7–8 February 2013 (see Section 5 for more details).

[32] In this regard, EP Resolution of 23.10.2012 also highlighted the importance of the opinions of the EP committees regarding financial negotiations as they complement and provide valuable guidance and further

March 2013 on the European Council Conclusions reiterated its determination to exercise fully its legislative prerogatives as set out in the Lisbon Treaty and confirmed that *«negotiations on **elements falling under the ordinary legislative procedure cannot be pre-empted** by the European Council's conclusions on the MFF, which must be taken as no more than political recommendations to the Council»* ([33]). If this context is to be followed, the *«**MFF regulation**»* to be presented by the Council to the EP **should exclude the specific agricultural proposals** of the *«Negotiating Box»*, adopted by the European Council.

1.3.3. The uncertainty of the negotiations calendar: possible scenarios

The financial talks have been challenging so far and their outcome is difficult to predict with certainty.

On 21 May, the General Affairs Council confirmed its general commitment to reach a timely agreement ([34]). The current Irish Presidency is pushing to conclude the negotiations with the European Parliament by the **end of June**. Under this scenario, the European Parliament could vote the *«MFF regulation»* proposal during its Plenary on 1-4 July 2013. Furthermore, the European Parliament has already pointed out that: a) the negotiations on the second component of the MFF package, the **Interinstitutional Agreement** (IIA) on cooperation in budgetary matters and on sound financial management, could be finalised only after the MFF Regulation procedure has been completed ([35]); b) the negotiations on the MFF / IIA and the multiannual programmes constitute a single package following the principle that *'nothing is agreed until everything is agreed'* ([36]). In conclusion, in the most optimistic scenario, the procedures governing the financial negotiations, as well as the agricultural talks on the main CAP basic acts, could not be formally concluded before **July 2013**.

However, an alternative scenario is also emerging. The ECOFIN Council agreement reached on 14 May on the 2013 draft amending budget n° 2 seems to postpone the likelihood of an MFF deal **until autumn** ([37]) (**Table 1**). The EP's Resolution of 13 March on the European Council Conclusions has previously put as a **threshold condition** that additional payment appropriations linked to the 2012 budget (EUR 11.2 billion outstanding liabilities) should not be carried over to become a charge on the available funds in the 2014–2020 period ([38]). The ECOFIN meeting of 14 May agreed to provide EUR 7.3 billion before the summer and confirmed its willingness to submit a second tranche of EUR 3.9 billon at a later stage **in parallel** with the conclusion of the talks on the EU's MFF for 2014–2020. In addition, ECOFIN stressed the political nature of this agreement and explicitly recalled (once more) the principle that *'nothing is agreed until everything is agreed'*.

The divergences between Council and EP on the timing are evident: for the Council the political agreement on the 2013 draft amending budget is just a step **inside** the MFF negotiations; for the EP both processes are not parallel but autonomous and the adoption of the 2013 budget becomes a **precondition** in order to finish the MFF talks. In this

details on the MFF/IIA negotiation guidelines laid own in the same Resolution (see point 81 - P7_TA-PROV(2012)0360).

[33] See Point 3 of Resolution P7_TA(2013)0078 of 13.3.2013.

[34] http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/genaff/137168.pdfPress (3240th Council meeting - General Affairs, 21.5.2013, Brussels).

[35] See Point 82 of EP Resolution of 23.10.2012 (P7_TA(2012)0360).

[36] See Point 14 of EP Resolution of 13.3.2013 (P7_TA(2013)0078).

[37] http://register.consilium.europa.eu/pdf/en/13/st09/st09486.en13.pdf (3238th Council meeting - Economic and Financial Affairs, 14.5.2013, Brussels. Note of Presidency to the Council on the state of play on the MFF 2014/2020).

[38] See Points 6 & 7 of Resolution P7_TA(2013)0078 of 13.3.2013. See §2.3 - Table 3 - §1 for the details of the set of conditions requested by the EP.

context, on 16 May, two days after the ECOFIN meeting (**Table 1**), the COBU recalled the EP Resolution of 13 March which states that the MFF negotiations will not conclude before the final adoption of the amending budget (**Table 1**). In conclusion, if the Council insists on postponing the provision of the second tranche of unpaid liabilities until after summer, then the MFF agreement would only be reached **in autumn**.

In any case, the EP has always insisted that the financial and agricultural talks are inextricably linked and that it would **refuse to vote on CAP reform texts until the MFF agreement had been concluded**. On this basis, and in function of both the alternative scenarios on financial negotiations, new CAP reform could be adopted by the legislative bodies either **in July** or **November-December 2013**.

Furthermore, time is needed to prepare the implementation of the new CAP after the publication of the four basic acts. The Commission needs time in order to adopt and publish the delegated/implementing acts. In addition, it could be very difficult to ensure that the Member States will be ready to implement the new provisions for direct payments and rural development programmes in time for **January 2014**.

Taking all this into account, even if there is financial agreement before summer 2013, **1 January 2015** seems to be the earliest possible date for the entry into force of the **fully-fledged** new CAP ([39]).

Last but not least, a third scenario is also possible. It is worth recalling that, **if there is no financial agreement before the end of 2013**, the **2013 ceilings would remain** in 2014, plus a 2% inflation adjustment ([40]). Failing to agree on the MFF by the end of 2013 would cause major delays in the adoption of regulations governing over 75 EU funding programmes and instruments (CAP included), even if **transitional measures** updated the current structure of the MFF in order to advance some new political priorities ([41]).

1.3.4. Transitional measures for 2014

Independently of whether the *«MFF regulation»* is adopted during 2013, the CAP needs now some **transitional provisions.**

The work to define **new rules facilitating the implementation of the new CAP for 2014** began last April. The Commission Implementing Regulation (EU) n° 335/2013 ([42]) developed detailed rules in order to ensure continuity in implementing rural development policy and a smooth passage from the 2007–2013 programming period to the following programming period 2014–2020.

At the same time, the Commission presented a modification of the current CAP basic acts in order to be approved before December 2013 by ordinary legislative procedure ([43]) (currently ongoing). These *'transitional rules'* affect the direct payments system, rural development measures, transfer of funds between pillars and the horizontal regulation:

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[39] See the Report from the 33rd Conference of the Directors of EU Paying Agencies held from 25th to 26th April 2013 in Dublin.

[40] According to Article 312 §4 TFEU) (see §1.1 and Footnote (5)).

[41] If no MFF has been adopted by the end of 2013, the EP would be ready to reach a swift agreement with the Council and Commission to adapt the internal structure of the MFF in order to reflect the Union's political priorities and to ensure that the appropriate legal bases will be in place for all EU policies and programmes by 2014 (see Point 15 of Resolution P7_TA(2013)0078 of 13. 3.2013).

[42] OJ L 105 of 13.4.2013.

[43] COM (2013) 226 of 18.4.2013.

- For **direct payments** (DP), the legislative proposal provides for the prolongation of the main elements of the existing schemes for claim year 2014; they also incorporate, subject to agreement of the EP, the financial impacts of the European Council Conclusions of 8 February, including the start of the external convergence process ([44]);

- For **rural development** (RD), transitional rules define how the current measures would be carried over to the next programming period as well as which baseline and cross-compliance rules should apply in 2014;

- The transitional measures also include some general provisions fixing the framework for the **transfers between pillars**, to be concretised by the legislative bodies;

- Finally, for the **horizontal regulation** (HZR), the need for transitional measures is limited to the Farm Advisory System (FAS), IACS and cross compliance, due to their link to direct payments.

In fact, such transitional measures mean implicitly that the Commission has accepted that the new CAP cannot come fully into force until **January 2015**.

- **The 'European 2020 Strategy' establishes the framework for the 'MFF package 2014–2020' negotiations.**

- **In contrast with the European Parliament's approach, the Council does not clearly differentiate between the financial negotiations and the CAP reform process. The 'Financial Negotiating Box' created by Council is taken up again by the European Council. If Council finally includes agricultural provisions inside the 'MFF regulation' proposal, the co-decision process could be undermined.**

- **The timings of the MFF negotiation and the CAP reform process are overlapping and become mutually interdependent. Even in the most optimistic scenario, the procedures governing the financial and agricultural negotiations could not formally conclude before July 2013.**

- **If there is no financial agreement before summer 2013, the alternative would be in autumn. Under either scenario, 1 January 2015 seems to be the earliest possible date for the entry into force of the fully-fledged new CAP.**

- **If there is no financial agreement before the end of 2013, the 2013 ceilings would remain in 2014, plus a 2% inflation adjustment.**

- **In order to facilitate the implementation of the new CAP by Member States for the 2014 year, the Commission has proposed some 'transitional measures' for adoption by the European Parliament and Council in co-decision before the end of 2013.**

[44] In addition, in the absence of a (buffer) margin between the net budget ceiling and spending requirements, *'financial discipline'* will probably be applied in financial year 2014, with the rules already approved last year in the transitional regulation for 2013 (Regulation (EU) No 671/2012 of the European Parliament and of the Council of 11 July 2012 amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013, OJ L 204, 31.7.2012, p. 11–17).

1.4. CAP linkages with other common policies inside MFF negotiations

Linkages of the CAP Reform process with other negotiations in progress on other common policies **must be taken into account in the analysis of MFF 2014–2020** ([45]).

The **Cohesion policy package**, for example, the mandate for which was already adopted by the European Parliament in 2012, develops a new Strategic Framework for Structural Funds (COM (2011) 615) including the European Agricultural Fund for Rural Development (EAFRD). The European Council develops these cohesion provisions in points 20 to 55 of their Conclusions. Concerning **research**, the *European Innovation Partnership* (EIP) network ([46]) is also dealt with inside the Rural Development Policy proposal (COM (2011) 809 & 811). The European Council does not mention a specific amount for research policy in the Summit's Conclusions, but it may well be affected by the reduction proposed for Sub-Heading 1a (Points 13 to 16) ([47]).

In addition, some agricultural expenditure has been **removed from Heading 2 by the European Council**:

- *Aid for most deprived people* is transferred to Heading 1 (ESF) (Point 58 of Conclusions);
- *Veterinarian and Plant Health funds* are moved to Heading 3 (Point 74 of Conclusions).

Finally, the European Council modifies the Commission proposal concerning the new '***reserve for crises in the agricultural sector***'. In contrast to the way crisis expenditure is internalised inside the MFF in the current period, the Commission's novel approach would have created this reserve inside the CMO, but placed it outside the CAP budget at the same level of the former *'Flexibility Instruments'* ([48]). The European Council, however, replaces the reserve inside the first Pillar (Points 75 and 102 of Summit Conclusions). These expenditure changes will be considered in the comparative analysis of MFF provisions developed in §5.5.

- **Linkages of the CAP Reform process with other negotiations in progress on other common policies must be taken into account in the analysis of the MFF 2014–2020.**
- **In particular, expenditure removed by the European Council from Heading 2 to other headings should be considered in any comparative analysis of MFF data.**
- **The new 'reserve for agricultural crises', formerly placed outside the MFF by the Commission, is replaced by the European Council inside Pillar 1 of the CAP.**

[45] For the 75 or so legislative proposals for every sector covered by the next MFF, see: http://ec.europa.eu/budget/mff/commission-proposals-for-the-multiannual-financial-framework-2014-2020/index_en.cfm.

[46] http://ec.europa.eu/agriculture/eip/index_en.htm

[47] The list of programmes under the MFF 2014/2020 and indicative breakdown after European Council Conclusions are available at: http://register.consilium.europa.eu/pdf/en/13/st08/st08288.en13.pdf.

[48] The *Flexibility Instrument*, the *Solidarity Fund*, the *European Globalisation Adjustment Fund* and the *Emergency Aid Reserve*.

2. EUROPEAN PARLIAMENT POSITION ON THE MFF COMPARED TO THE EUROPEAN COUNCIL CONCLUSIONS

2.1. Current position of European Parliament on 'MFF package'

Before the European Council of 7/8 February 2013, the EP had already expressed its **political priorities** on the MFF 2014–2020 as well as some guidelines related to the own resources system to be implemented in the same period. The **EP approach** was developed in particular by means of four Resolutions:

- EP Resolution of 8 June 2011 on investing in the future: *a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe* (2010/2211(INI)) (P7_TA(2011)0266) ([49]).
- EP Resolution of 13 June 2012 on *the Multiannual Financial Framework and own resources* (2012/2678(RSP)) (P7_TA(2012)0245) ([50]).
- EP Resolution of 23 October 2012 *in the interest of achieving a positive outcome of the Multiannual Financial Framework 2014/2020 approval procedure* (COM(2011)0398 - COM(2012)0388 - 2011/0177(APP)) (P7_TA(2012)0360) ([51]).
- EP legislative Resolution of 23 October 2012 *on the proposal for a Council Regulation on the methods and procedure for making available the own resource based on the value added tax (*COM(2011)0737 - C7-0504/2011 - 2011/0333(CNS)) (P7_TA(2012)0361) ([52]).

With this background and after the European Council of 7-8 February, on 13 March, the EP adopted a new Resolution, setting out its position for the negotiations on the next MFF (2012/2803(RSP)) (P7_TA(2013)0078) ([53]).

At the current state of the financial negotiations, it might be appropriate to analyse the Conclusions of the Summit of 7–8 February in the light of these EP Resolutions in order to detect the main political divergences. A (general) comparison is summarised in **Table 2**. In addition, in **Table 3** we compare in particular the conditions set out by the EP in order to conclude the MFF talks with the current positions inside the Council.

- **The political position of the European Parliament on the 'MFF Package' was developed by means of four Resolutions in 2011 and 2012, before the European Council of 7-8 February 2013.**

- **The position of the European Parliament on the Conclusions of the Summit of February was developed by means of the Resolution of 13 March 2013.**

[49] Available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2011-0266+0+DOC+XML+V0//EN&language=EN.
[50] Available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0245+0+DOC+XML+V0//EN&language=EN.
[51] Available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0360+0+DOC+XML+V0//EN&language=EN.
[52] Available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0361+0+DOC+XML+V0//EN&language=EN.
[53] Available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0078+0+DOC+XML+V0//EN

2.2. Two opposite visions on Europe 2020 and the leveraging role of the EU budget: fiscal consolidation vs. strengthening growth and employment

Table 2 shows the main **political divergences as well as some coincidences** between the European Parliament and European Council positions relating to MFF issues.

It is important to highlight that the **European Council** is focused on **fiscal consolidation at internal and supranational level**. This approach explains the substantive reduction proposed in total expenditure for the EU-28 (see Table 2 - §2). The same logic is applied to the CAP, as the EU's single largest item of expenditure (see Table 2 - §5).

In contrast, the **European Parliament** supports increasing resources for the EU budget above the level of the 2013 ceilings (see Table 2 - §2). In this context, the Full House indicated in its previous Resolutions its support for maintaining a new CAP budget at least at the level of the 2007–2013 (see Table 2 - §5).

Both these opposite approaches to the role of the EU budget are in fact equivalent to different visions on the Europe 2020 Strategy. The Council and European Parliament will have to give proof of flexibility and to strengthen their efforts in order to overcome the political *impasse.*

The EP's Resolution of 13 March on the Summit Conclusions did not request an increase of CAP expenditure, but just a substantially (but undetermined) increase in investments in innovation, research and development and infrastructures ([54]). Consequently, it could possibly be interpreted that the **Parliament accepts the CAP budget figures agreed by the European Council**.

In any case, the EP set out a list of 'essential' conditions summarised by means of the Resolution of 13 March 2013 in order to conclude the MFF negotiations. Now, the Commission and Council appear to be moving further towards a compromise on some of the EP's conditions.

- **Comparing the European Council Conclusions to the EP Resolutions demonstrates important divergences between respective positions of the institutions on the future MFF.**

- **To overcome this political impasse, substantive efforts from the negotiators will be needed before summer 2013.**

[54] Point 4 of EP Resolution of 13.3.2013 (see Table 2 - §3).

Table 2: Institutional positions on main financial issues 2014–2020 (*)

EUROPEAN COUNCIL CONCLUSIONS	EUROPEAN PARLIAMENT POSITION
§1. EU BUDGET ROLE	
. MFF must reflect the fiscal consolidation efforts being made by MS (Point 1 of Conclusions). . Future financial framework must not only ensure the appropriate level of expenditure, but also its quality, in particular in times of heavy constraint on the national budgets (Point 2 of Conclusions). . Better governance of the common policies must include conditionalities, concentration and targeting of funding (Point 2 of Conclusions).	. Union cannot be seen as adding an extra fiscal burden on taxpayers (Point 1 Res. 23.10.2012). . EU Budget has a leverage effect in terms of strengthening growth and employment (Point 4 Res. 23.10.2012). . Decision of the next MFF will either have a significant positive impact on the efforts made by national governments to overcome the crisis or lead to a further recession in the EU (Point 5 of Res. 23.10.2012). . MFF 2014–2020 should ensure the successful implementation of the Europe 2020 strategy and endow the EU with the necessary means to recover from the crisis and come out stronger (Point 4 of Res. 14.3.2013).
§2. LEVEL OF EXPENDITURE	
. Total expenditure for EU-28 will not exceed EUR 959 988 millions and EUR 908 400 millions in appropriations for payments (Point 6 of Conclusions): <u>Commitment appropriations</u> (*) (2011 prices) 2007–2013: EUR 993 600 millions (1.12% GNI-27) 2014–2020: European Council: EUR 959 988 millions (1.0% GNI-28) 2014–2020: Commission's amended proposal: EUR1 033 235 (1.08% GNI-28)	. Freezing the next MFF at the 2013 level is not a viable option (Point 18 of Res. 23.10.2012; Point 163 of Res. 8.6.2011). . Without sufficient additional resources above the level of the 2013 ceilings, several EU priorities will have to be revised or abandoned (Point 19 of Res. 23.10.2012; Point 164 of Res. 8.6.2011). . Cuts would imply the identification of which of the political priorities or projects should be dropped altogether (Point 20 of Res. 23.10.2012).
§3. COMPETITIVENESS AND INFRASTRUCTURES	
. Total expenditure for Sub-Heading 1a will not exceed EUR 125 614 million (Point 15 of Conclusions) Connecting Europe Facility: EUR 29 299 million (Point 17 of Conclusions)	. EU needs a significant increase in the funding available in the fields of competitiveness, SMES, entrepreneurship and sustainable infrastructures (Points 22 & 34 of Res. 23.10.2012; Points 93 to 98 of Res. 8.6.2011). . EU needs to increase its investments in innovation, research and development and infrastructure (Point 4 of Res. 14.3.2013)
§4. COHESION POLICY	
. Total expenditure for Sub-Heading 1b will not exceed (Point 22 of Conclusions): <u>Commitment appropriations Sub-Heading 1b (*)</u> 2007–2013: EUR 354 800 million (EU 27) 2014–2020: European Council: EUR 325 149 million (EU 28) 2014–2020: Commission's amended proposal: EUR 379 243 million (EU 28)	. Cohesion policy funding should be maintained at least at the level of the 2007–2013 period and continue to cover all EU regions (Point 26 of Res. 23.10.2012; Points 64 to 67 of Res. 8.6.2011).

§5. CAP BUDGET	
. Commitment appropriations for Heading 2 are reduced for 2014–2020 (Point 63 of Conclusions). (*) Commitment appropriations Heading 2 (2011 prices) 2007–2013: EUR 420 700 million (EU 27) 2014–2020: EUR 373 179 million (EU 28) 2014–2020: Commission's amended proposal: EUR 386 472 million (EU 28) Markets and direct payments 2007–2013: EUR 336 700 million (EU 27) 2014–2020 European Council: EUR 277 851 million (EU 28) 2014–2020 Commission's amended proposal: EUR 283 051 million (EU 28)	. CAP in the budget year 2013 should be at least maintained during the next MFF (Point 27 Res. 23.10.2012; Point 80 Res. 8.6.2011) . New CAP should aim at a more effective and efficient allocation of its budget (Point 27 Res. 23.10.2012; Point 80 of Res. 8.6.2011) . Second pillar makes a significant contribution to rural areas as well as managing environment (Point 27 Res. 23.10.2012; Point 71 & 79 Res. 8.6.2011)
§6. CLIMATE CHANGE	
. Climate action objectives will represent at least 20% of EU spending in 2014–2020 (Point 10 of Conclusions)	. Aim of at least 20% of expenditure being climate-related (Points 14 & 28 of Res. 23.10.2012; Points 85 to 90 Res. 8.6.2011) . Need to meet the EU's climate change and energy objectives (Point 4 of Res. 13.3.2013)
§7. YOUTH	
. European Council decides to create a Youth Employment Initiative with EUR 6 000 million (Point 59 of Conclusions)	. Youth unemployment requires a particular EU effort (Point 12 & 29 of Res. 23.10.2012; Point 104 of Res. 8.6.2011) . EU needs to increase its investments in youth (Point 4 of Res. 14.3.2013)
§8. DURATION AND REVISION	
. New MFF will cover the seven years between 2014 and 2020 (Point 4 of Conclusions). . The Council and the European Parliament are invited to come to a timely agreement on the appropriate funding of each of the proposed instruments, programmes and funds financed under the MFF, including the possibility of a review (Point 11 of Conclusions).	. MFF 7-year period should be considered a transitional solution (Point 51 of Res. 23.10.2012; Point 159 of Res. 8.6.2011). . Mid-term revision could be enshrined in the MFF regulation (Point 52 of Res. 23.10.2012; Point 144 of Res. 8.6.2011). . The next EP and Commission should be in a position to reconfirm the Union's budgetary priorities and carry out a revision of the MFF 2014–2020; therefore, EP is in favour of a compulsory and comprehensive revision of the MFF, or possibly a sunset clause; this revision should be legally binding, enshrined in the MFF Regulation and decided by qualified majority in the Council, making full use of the passerelle clause of Article 312(2) of the TFEU (Point 9 of Res. 13.3.2013).
§9. FLEXIBILITY	
. Provisions are adopted in order to ensure a manageable level and profile of RALs (outstanding commitments) (Point 8 of Conclusions). . Maximum possible flexibility will be implemented in order to comply with Article 323 TFEU (Point 109 of Conclusions).	. Margins left under the commitment appropriations ceilings in one year's budget should be carried over the next year (Point 56 of Res. 23.10.2012; Point 149 of Res. 8.6.2011) . Joint interinstitutional strategy is needed for keeping the level of RALs (outstanding commitments) under control (Point 58 of Res. 23.10.2012; Point 34 of Res. 8.6.2011).

	. The maximum overall flexibility between and within Headings, as well as between financial years, needs to be ensured in the next MFF. Such flexibility should include the possibility of fully utilising the available margins of each Heading in one financial year (for commitment appropriations), as well as an automatic carry-over of available margins to other financial years (for both commitment and payment appropriations) (Point 10 of Res. 13.3.2013). . Opposition to a financial framework that might lead the EU budget into a structural deficit against Articles 310 and 323 TFEU. EP is determined to prevent any further shifts of payments from 2013 to the next MFF (Points 6 & 7 of Res. 13.3.2013).
§10. RESERVE FOR CRISES IN THE AGRICULTURAL SECTOR	
. New reserve for crises in the agricultural sector (EUR 2 800 million) will be established by applying at the beginning of each year a reduction to direct payments with the financial discipline mechanism (Points 75 and 102 of Conclusions). . Sub-ceiling of Heading 2 is maintained without the safety margin of EUR 300 million (Point 66 of Conclusions)	. Reserve for agricultural crises, given their non-programmable nature, should be entered in the budget over and above the MFF ceilings (Point 62 of Res. 23.10.2012; Point 152 of Res. 8.6.2011)
§11. EXCEPTIONS AND NATIONAL COMPENSATIONS INSIDE MFF	
. Specific compensations for some MS are adopted, in particular in cohesion policy (Points 50 to 52 of Conclusions) and CAP (Rural Development) (Point 72 of Conclusions)	. Purely accounting-based vision of "*fair return*" makes any agreement of the MFF conditional on an agreement on a long list of exceptions and compensations (Point 70 of Res. 23.10.2012)
§12. OWN-RESOURCES SYSTEM	
. Current own-resources system remains unchanged (Points 111 to 118 of Conclusions)	. EP points out that is not prepared to give its consent to the next MFF regulation without political agreement on reform of the own-resources system (Point 73 of Res. 23.10.2012; Second Res. on own resources of 23.10.2012). . The own-resources system needs an in-depth reform; EP supports the Commission's legislative proposals on the own-resources package, including a binding roadmap (Points 11 and 12 of Res. 13.3.2013)
§13. NEGOTIATIONS COUNCIL - EP	
. In line with Article 324 TFEU, the European Council invites the Presidency of the Council to rapidly take forward discussions with the European Parliament (Point 11 of Conclusions). . The European Council calls on the co-legislators to adopt swiftly the financing programmes implementing the 2014-2020 Multiannual Financial Framework so as to ensure their timely roll-out from 1 January 2014 (Point 12 of Conclusions).	. EP expresses its readiness to enter into substantial discussions with the Council on both the MFF regulation and the IIA (Point 77 of Res. 23.10.2012). . EP stresses its willingness to enter into fully-fledged negotiations with the Council on all provisions on the MFF Regulation and the Interinstitutional Agreement (Point 2 of Res. 13.3.2013). . The negotiations on the MFF / IIA and the EU multiannual programmes constitute a single package. EP reaffirms the principle that '*nothing is agreed until everything is agreed*' (Point 14 of Res. 13.3.2013).

(*) Please note that figures for 2007-2013 and 2014-2020 shown in this table cannot be compared directly, due to methodological differences between the two periods (adjustments needed are explained in the next section and in Annex 1, where a table containing adjusted figures is presented).

2.3. The EP's Resolution of 13 March 2013 on the European Council Conclusions concerning the MFF 2014–2020

By means of the Resolution of 13 March 2013, the European Parliament rejected the political agreement of the European Council on the MFF in its *'current form'* by a large majority: 506 votes in favour, 161 against and 23 abstentions. The EP considered that the Summit's Conclusions do not reflect the priorities and concerns expressed previously by the Assembly. In order to enter into fully-fledged negotiations with the Council, the European Parliament included into the negotiating mandate a **list of conditions** (**Table 3**).

In this context, some progress has been achieved. At least one of the conditions required is now fulfilled. Faced with the lack of transparency denounced by the European Parliament regarding the level of national allocations under the CAP agreed by the European Council ([55]), the Commission presented the **indicative breakdown of programmes under the MFF 2014–2020** adjusted in function of the European Council Conclusions in April ([56]). Furthermore, following the recurrent requests of the EP rapporteur Mr. Luis Capoulas Santos during the trilogues, the Commission finally disseminated the **individual Member State allocations for Pillar 2 rural development funding** on May ([57]).

In contrast, Council is yet to fulfil the threshold condition concerning the 2013 Draft Amending Budget. The EP's Resolution emphasised that **MFF talks will not conclude before the final adoption** by the legislative bodies of the **Amending Budget** covering all unpaid claims (see §1.3.3 and Table 3 - §1). On 14 May, the Council tabled a proposal for a first tranche of EUR 7.3 billion, which is EUR 3.9 billion short of the EUR 11.2 billion proposed by the Commission as the minimum needed to meet the EU's financial obligations in 2013. The positions are still far apart and could seriously affect the timing of the negotiations (see §1.3.3).

Independently of the evolution of debates on the 2013 Draft Amending budget, as a pre-condition for the conclusion of negotiations on *«MFF regulation»*, **two other main EP requests** could become stumbling blocks in the ongoing discussions:

- The European Parliament wants to see more decisive action on **own resources**, beyond the suggested *'political'* roadmap, where Council commit to gradually replace the current system of national contributions with a genuine own-resource system including the revenues from the future Financial Transaction Tax (**Table 2 - §12** and **Table 3 - §3**).

- The named *'review clause'* is also one the essential elements in order to break the deadlock in the financial talks. The EP is in favour of a **compulsory and comprehensive mid-term review** of the MFF, where the new Parliament (after the 2014 elections) could reconfirm the Union's budgetary priorities. This revision should be legally binding, enshrined in the MFF Regulation and **decided by qualified majority in Council**, making full use of the *'passerelle'* clause of Article 312 §2 of the TFEU. Faced with this request, Council could accept a legally binding obligation on the Commission to present a review in **2017**, but only if it is provided that the **unanimity requirement for the Council vote on the MFF regulation would be respected** and **pre-allocated envelopes would be preserved** (see **Table 3 - §2**).

[55] Point 5 of EP Resolution of 13.3.2013.
[56] Available at: http://register.consilium.europa.eu/pdf/en/13/st08/st08288.en13.pdf.

Table 3: MFF conditions set out by the EP compared to current Council position

MAIN ISSUES RAISED BY THE EUROPEAN PARLIAMENT BY MEANS OF THE RESOLUTION OF 13 MARCH 2013	CURRENT COUNCIL POSITION AT END MAY 2013 (ONGOING DISCUSSIONS INSIDE GENERAL AFFAIRS AND ECOFIN COUNCILS)
§1. 2013 DRAFT AMENDING BUDGET (MFF PRE-CONDITION)	
EP opposes the current accumulation and rollover of outstanding payments claims in the EU budget and expresses its opposition to a MFF that might lead the EU budget into a structural deficit against Articles 310 and 323 TFEU (Point 6 of Res. 13.3.2013). 2013 Amending Budget has to be devoted to the sole purpose of covering all unpaid claims for 2012 (*note: EUR 11.2 billion outstanding liabilities*). EP will not start negotiations on the MFF until the Commission comes forward with a Draft Amending Budget corresponding to this political commitment and will not conclude the financial talks before the final adoption by Council and EP on the 2013 Amending Budget (Point 7 of Res. 13.3.32013).	On 14 May 2013 the Council reached a political agreement on the Draft Amending Budget n° 2 for 2013 based on a two-step approach. The Council agreed to provide EUR 7.3 billion in a first stage (before summer). The Council would focus this amount on measures to support economic growth, create jobs and tackle unemployment, especially among youth people. The Council also confirmed its willingness to submit a second tranche of EUR 3.9 billon at a later stage in parallel with the conclusion of the talks on the MFF for 2014–2020.
§2. DURATION AND REVISION	
EP is in favour of a compulsory and comprehensive revision of the MFF, or possibly a sunset clause. This revision should be legally binding, enshrined in the MFF Regulation and decided by qualified majority in the Council, making full use of the passerelle clause of Article 312 §2 of the TFEU (Point 9 of Res. 13.3.2013).	Delegations are ready to examine a legally binding obligation on the Commission to present a review in 2017, provided that the unanimity requirement for the Council vote on the MFF regulation was respected and pre-allocated envelopes were preserved.
§3. OWN-RESOURCES SYSTEM	
The own-resources system needs an in-depth reform; this reform has to reduce the share of GNI-based contributions to the EU budget to a maximum of 40% and phase out all existing rebates and correction mechanisms (Point 11 and 12 of Res. 13.3.2013). EP supports the Commission's legislative proposals on the own-resources package, including a binding roadmap; the revenues from the Financial Transaction Tax should be allocated at least partly to the EU budget as a genuine own resource (Point 12 of Res. 13.3.2013).	Delegations show readiness to consider a declaration setting out a political roadmap for work on the future.
§4. UNITY OF BUDGET	
The principle of unity of the budget should be recalled and clearly defined in the IIA. EP believes that all expenditure and revenue resulting from decisions taken by, or in the name of, the EU Institutions, including borrowing, lending and loan guarantee operations, must be summarised in a document annexed every year to the Draft Budget (Point 13 of Res. 13.3.2013).	Delegations express some openness to having a Commission document annexed to the annual draft budget setting out all expenditures covered by the EU budget.
§5. FLEXIBILITY	
Maximum overall flexibility between and within Headings, as well as between financial years. Such flexibility should include the possibility of fully utilising the available margins of each Heading in one financial year (for commitment appropriations), as well as an automatic carry-over of available margins to other financial years (for both commitment and payment appropriations) (Point 10 of Res. 13.3.2013).	Many delegations consider further discussing the possibility to the carry-over from one year to another of unused margins under the payments ceilings and a frontloading of certain expenditures, such as for the new Youth Employment Initiative.

[57] See §4.3 and §5.4.1 for more details on the levels of national allocations on Rural Development.

3. THE MFF 2014–2020: AN OVERVIEW OF THE RESULTS OF THE 7–8 FEBRUARY 2013 EUROPEAN COUNCIL

3.1. Methodological remarks

This section focuses on "*three MFFs*":

- The MFF for 2007–2013, as adjusted according to the different revisions ([58]).
- The European Commission proposal on an MFF for 2014–2020 (COM(2011)500[59] and COM(2012)388 ([60])
- The MFF 2014–2020 as adopted by the European Council on 8 February 2013 (EUCO 37/13) ([61]).

Inside the different MFFs, some items are not located in the same Heading or Sub-Heading. Some expenditure is even sometimes located originally inside the MFF and moved subsequently outside the MFF. For instance, in the European Commission proposal, a reserve for crises in the agriculture sector is created outside the MFF; however, the European Council moved this reserve for crises into the MFF, under Heading 2 (see §1.4). Moreover, in the European Commission proposal, funds for the *International Thermonuclear Experimental Reactor* (ITER) and for the *European Earth monitoring programme* (GMES, now "*Copernicus*") are also located outside the MFF, but the European Council placed them in the MFF, under Sub-Heading 1a.

The figures used in this section have not been adjusted, i.e. they have not been modified to account for these moves. However, a table taking them into account (as well as adjustments for staff pension contributions for 2007-2013) is available in **Annex 1**.

3.2. Unprecedented reduction in proposed MFF appropriations for next programming period

The MFF covering the period 2014–2020 will be **the fifth to be implemented** since MFFs were first introduced in 1988 as an instrument setting maximum annual amounts *('ceilings')* for a number of categories of expenditure *('Headings')*([62]), over several years, for a period of at least five years. As shown in **Figure 1** below, **Heading 1** *('Smart and Inclusive Growth')* increases its share in the MFF by two percentage points and remains the **main category of expenditure** in the MFF for 2014–2020 as adopted by the European Council on 8 February 2013, with **47%** of commitment appropriations. Agriculture and rural development expenditure is located in **Heading 2** *('Sustainable Growth: Natural Resources')*, which is again losing weight in the MFF with slightly less than **39%** of commitment appropriations over the period.

As shown in **Figure 2**, in the 2011 initial proposal tabled by the European Commission (for the EU-27), total commitment appropriations for 2014–2020 amounted to **EUR 1.025**

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58 European Commission, DG BUDGET, data available at: http://ec.europa.eu/budget/figures/fin_fwk0713/fwk0713_en.cfm.

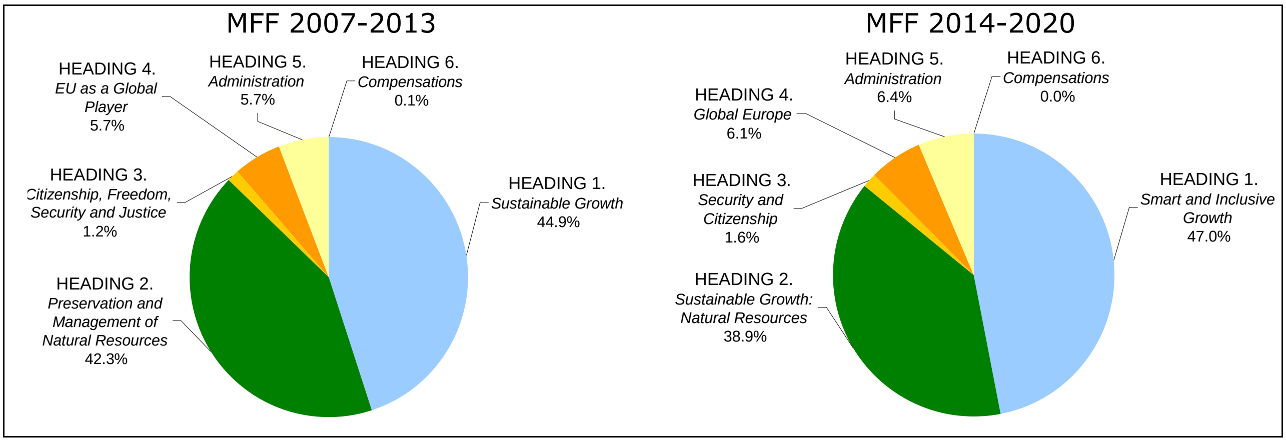
59 COM(2011)500: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52011DC0500:EN:NOT.

60 COM(2012)388: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012PC0388:EN:NOT.

61 The conclusions of the European Council (7/8 February 2013) regarding the Multiannual Financial Framework (EUCO 37/13) are available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf

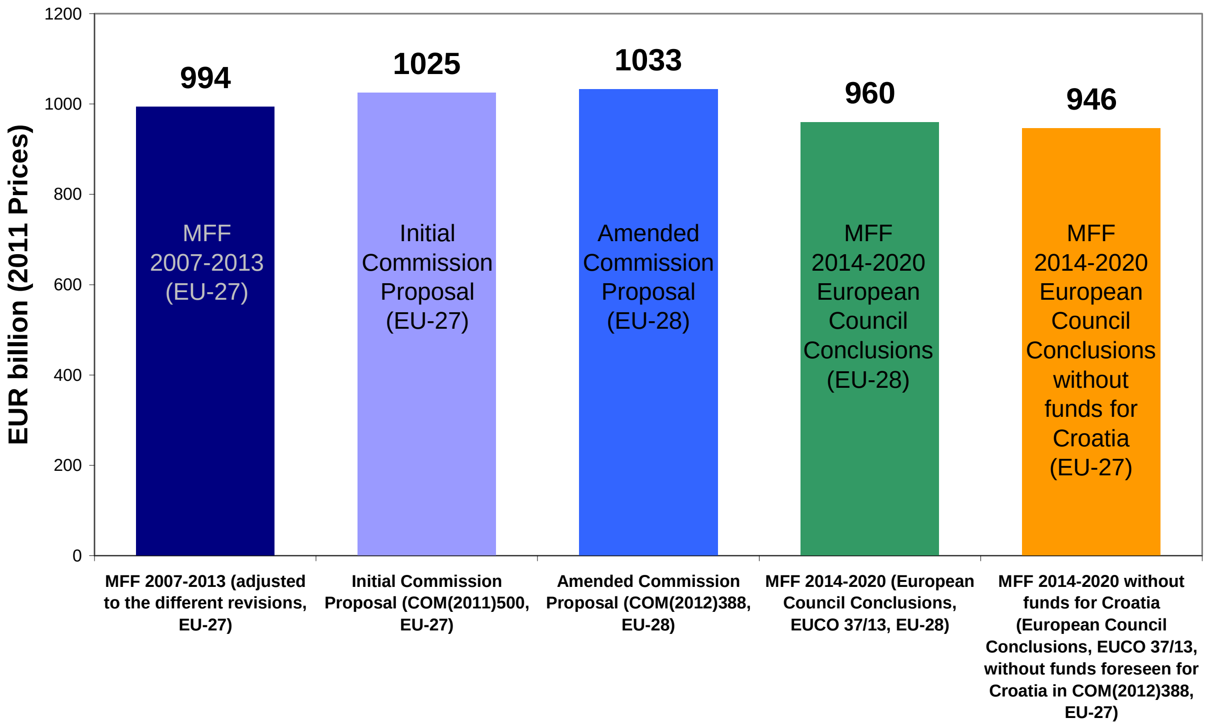
62 For more historical data, see the note *"The CAP in the MFF 2014–2020"* prepared by Policy Department B in October 2011 (PE 460.067) (already mentioned in footnote 1).

Figure 1: A comparison of the distributions of total commitment appropriations per MFF Heading (MFF 2007–2013 and MFF 2014–2020)



Source: Elaboration by EP Policy Department B: For 2007–2013: calculations based on European Commission data adjusted according to the different revisions in current prices (EU-27). A 2% deflator was used to obtain the values in 2011 prices, on which the calculations of the percentages are based. For 2014–2020: Calculations based on European Council data in 2011 prices.

Figure 2: Evolution of the total amount of commitment appropriations in the MFF 2014–2020 in the negotiation process



Source: Elaboration by EP Policy Department B based on European Commission and European Council data. NB: It is assumed that figures for Croatia are not reduced compared to the amounts foreseen in COM (2012) 388.

billion for the EU-27 ([63]) (in 2011 prices), **updated in 2012 to EUR 1.033 billion for the EU-28**, including Croatia ([64]).

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[63] COM(2011)500: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52011DC0500:EN:NOT.
[64] COM(2012)388: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012PC0388:EN:NOT.

Agreement in the European Council was reached at around **EUR 960 billion for commitment appropriations** (i.e. 1.00% of GNI) and around **EUR 908 billion for payment appropriations** (i.e. 0.95% of GNI) (see **Table 4**).

Table 4: MFF 2014–2020 as agreed in the 7–8 February European Council Conclusions, in EUR million - 2011 Prices

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
1. Smart and Inclusive Growth	60 283	61 725	62 771	64 238	65 528	67 214	69 004	450 763
1a: Competitiveness for growth and jobs	15 605	16 321	16 726	17 693	18 490	19 700	21 079	125 614
1b: Economic, social and territorial cohesion	44 678	45 404	46 045	46 545	47 038	47 514	47 925	325 149
2. Sustainable Growth:Natural Resources	55 883	55 060	54 261	53 448	52 466	51 503	50 558	373 179
of which: Market related expenditure and direct payments	41 585	40 989	40 421	39 837	39 079	38 335	37 605	277 851
3. Security and citizenship	2 053	2 075	2 154	2 232	2 312	2 391	2 469	15 686
4. Global Europe	7 854	8 083	8 281	8 375	8 553	8 764	8 794	58 704
5. Administration	8 218	8 385	8 589	8 807	9 007	9 206	9 417	61 629
of which : Administrative expenditure of the institutions	6 649	6 791	6 955	7 110	7 278	7 425	7 590	49 798
6. Compensations	27	0	0	0	0	0	0	27
TOTAL COMMITMENT APPROPRIATIONS	**134 318**	**135 328**	**136 056**	**137 100**	**137 866**	**139 078**	**140 242**	**959 988**
as a percentage of GNI	1.03%	1.02%	1.00%	1.00%	0.99%	0.98%	0.98%	1.00%
TOTAL PAYMENT APPROPRIATIONS	**128 030**	**131 095**	**131 046**	**126 777**	**129 778**	**130 893**	**130 781**	**908 400**
as a percentage of GNI	0.98%	0.98%	0.97%	0.92%	0.93%	0.93%	0.91%	0.95%
OUTSIDE THE MFF	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total 2014-2020**
Emergency Aid Reserve	280	280	280	280	280	280	280	1 960
European Globalisation Fund	150	150	150	150	150	150	150	1 050
Solidarity Fund	500	500	500	500	500	500	500	3 500
Flexibility instrument	471	471	471	471	471	471	471	3 300
European Development Fund	2 952	3 868	3 911	3 963	4 024	4 094	4 174	26 984
TOTAL OUTSIDE THE MFF	**4 353**	**5 269**	**5 312**	**5 364**	**5 425**	**5 495**	**5 575**	**36 794**
as a percentage of GNI	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
TOTAL MFF + OUTSIDE MFF	**138 671**	**140 597**	**141 368**	**142 464**	**143 291**	**144 573**	**145 817**	**996 782**
as a percentage of GNI	1.06%	1.06%	1.04%	1.04%	1.03%	1.02%	1.02%	1.04%

Source: Elaboration by EP Policy Department B based on European Council data (EUCO 37/13, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf).

This deal implies **reductions of around EUR 73 billion for commitment appropriations and EUR 79 billion for payment appropriations** as compared to the Commission amended proposal (see **Table 5**).

Moreover, total amounts of appropriations are **lower in the upcoming MFF** 2014–2020 than in the current MFF (2007–2013): around **EUR 34 billion less, i.e. about -3.5 %** for both commitment and payment appropriations. This is **the first time in the EU's history that such a decrease has occurred** (for more details see **Table 6**).

The decrease as compared to the current MFF 2007–2013 (period when there were 27 EU Member States) is even **larger when funds for Croatia** (as foreseen in COM (2012) 388) **are deducted from the MFF agreement for 2014–2020**: in this case the reduction in total appropriations reaches around **EUR 47 billion** in commitments and **EUR 44 billion** in payments. This corresponds to **around a 5 % reduction** in total MFF appropriations (see **Table 7**).

Table 5: Comparison between the MFF 2014–2020 as agreed in the 7–8 February European Council Conclusions and the European Commission Amended Proposal (COM (2012) 388), in EUR billion, 2011 Prices

EUR billion - 2011 Prices	Amended Commission Proposal (COM(2012)388		MFF 2014-2020 Council Conclusions		
COMMITMENT APPROPRIATIONS	Total 2014-2020 For EU-28		Total 2014-2020 For EU-28	Difference in EUR bn	Difference in %
HEADING 1. Smart and Inclusive Growth	494.8		450.8	-44.0	-8.9%
1a: Competitiveness for growth and jobs	115.5		125.6	10.1	8.7%
1b: Economic, social and territorial cohesion	379.2		325.1	-54.1	-14.3%
HEADING 2. Sustainable Growth:Natural Resources	386.5		373.2	-13.3	-3.4%
of which: Market related expenditure and direct payments **(1)**	283.1	VS	277.9	-5.2	-1.8%
HEADING 3. Security and citizenship	18.8		15.7	-3.1	-16.6%
HEADING 4. Global Europe	70.0		58.7	-11.3	-16.1%
HEADING 5. Administration	63.2		61.6	-1.5	-2.4%
HEADING 6. Compensations	0.027		0.027	0.0	0.0%
TOTAL COMMITMENT APPROPRIATIONS	1033.2		960.0	-73.2	-7.1%
as a percentage of GNI	1.08%		1.00%		
TOTAL PAYMENT APPROPRIATIONS	987.6		908.4	-79.2	-8.0%
as a percentage of GNI	1.03%		0.95%		

(1) This amount is before taking account of modulation and other transfers to rural development.

Source: Elaboration by EP Policy Department B based on European Commission (COM(2012)388, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012PC0388:EN:NOT) and European Council data (EUCO 37/13, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf).

Table 6: Comparison between the MFF 2014–2020 as agreed in the 7–8 February European Council Conclusions and the MFF 2007–2013, in EUR billion, 2011 Prices

EUR billion - 2011 Prices	MFF 2007-2013		MFF 2014-2020 Council Conclusions		
COMMITMENT APPROPRIATIONS	Total 2007-2013 For EU-27		Total 2014-2020 For EU-28	Difference in EUR bn	Difference in %
HEADING 1. Smart and Inclusive Growth	446.3		450.8	4.5	1.0%
1a: Competitiveness for Growth and Jobs	91.5		125.6	34.1	37.3%
1b: Economic, Social and Territorial Cohesion	354.8		325.1	-29.7	-8.4%
HEADING 2. Sustainable Growth:Natural Resources	420.7		373.2	-47.5	-11.3%
of which: Market related expenditure and direct payments **(1)**	336.7	VS	277.9	-58.8	-17.5%
HEADING 3. Security and citizenship	12.4		15.7	3.3	26.8%
HEADING 4. Global Europe	56.8		58.7	1.9	3.3%
HEADING 5. Administration	56.5		61.6	5.1	9.1%
HEADING 6. Compensations	0.9		0.027	-0.9	-97.1%
TOTAL COMMITMENT APPROPRIATIONS	993.6		960.0	-33.6	-3.4%
as a percentage of GNI	1.12%		1.00%		
TOTAL PAYMENT APPROPRIATIONS	942.8		908.4	-34.4	-3.6%
as a percentage of GNI	1.06%		0.95%		

(1) This amount is before taking account of modulation and other transfers to rural development.

Source: Elaboration by EP Policy Department B. For 2007-2013: own calculations, based on European Commission data adjusted according to the different revisions (EU-27) in current prices; a 2% deflator was used to obtain the values in 2011 prices. European Council data (EUCO 37/13) available at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf).

Table 7: Comparison between the MFF 2014–2020 as agreed in the 7–8 February European Council Conclusions but without the funds allocated to Croatia (COM (2012) 388), and the MFF 2007–2013, in EUR billion, 2011 Prices

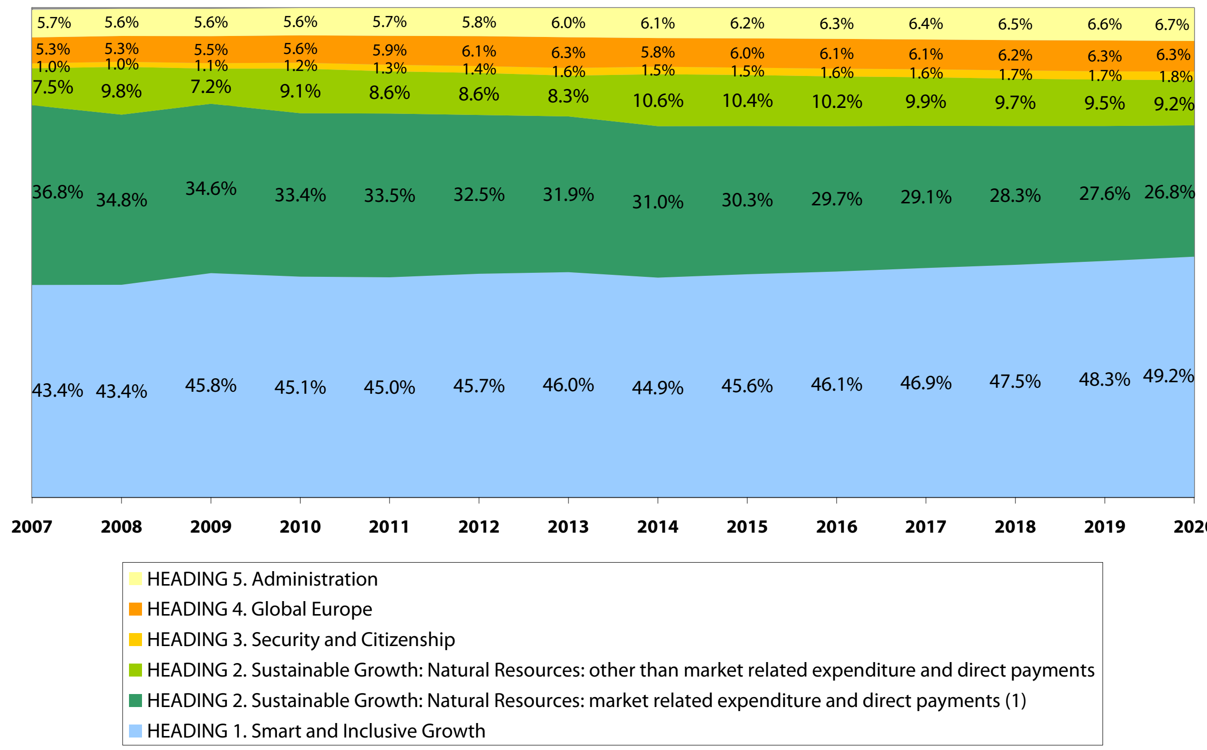
EUR billion - 2011 Prices

	MFF 2007-2013		MFF 2014-2020 Council Conclusions without funds for Croatia		
COMMITMENT APPROPRIATIONS	**Total 2007-2013** **For EU-27**		**Total 2014-2020** **For EU-27**	**Difference in EUR bn**	**Difference in %**
HEADING 1. Smart and Inclusive Growth	446.3		441.4	**-4.9**	**-1.1%**
1a: Competitiveness for growth and jobs	91.5		125.0	**33.5**	**36.6%**
1b: Economic, social and territorial cohesion	354.8		316.4	**-38.4**	**-10.8%**
HEADING 2. Sustainable Growth:Natural Resources	420.7		369.6	**-51.0**	**-12.1%**
of which: Market related expenditure and direct payments **(1)**	336.7	**VS**	276.6	**-60.1**	**-17.8%**
HEADING 3. Security and citizenship	12.4		15.4	**3.0**	**24.6%**
HEADING 4. Global Europe	56.8		58.7	**1.9**	**3.3%**
HEADING 5. Administration	56.5		61.1	**4.6**	**8.1%**
HEADING 6. Compensations	0.9		0	**-0.9**	**-100.0%**
TOTAL COMMITMENT APPROPRIATIONS as a percentage of GNI	**993.6** 1.12%		**946.2**	**-47.4**	**-4.8%**
TOTAL PAYMENT APPROPRIATIONS as a percentage of GNI	**942.8** 1.06%		**898.4**	**-44.4**	**-4.7%**

(1) This amount is before taking account of modulation and other transfers to rural development.

Source: Elaboration by EP Policy Department B. For 2007-2013: own calculations, based on European Commission data adjusted according to the different revisions (EU-27) in current prices; a 2% deflator was used to obtain the values in 2011 prices. NB: It is assumed that figures for Croatia are not reduced compared to the amounts foreseen in COM (2012) 388.

Figure 3: Evolution of the shares of the different MFF Headings from 2007 to 2020 (% of commitment appropriations in current prices)



(1) This amount is before taking account of modulation and other transfers to rural development. For 2007-2013: own calculations, basG49ed on European Commission data adjusted according to the different revisions (EU-27) in current prices; a 2% deflator was used to obtain the values in 2011 prices, on which the calculations of percentages are based for this period. For 2014-2020, calculations are based on European Council data in 2011 prices.

Source: Elaboration by EP Policy Department B.

3.3. Reducing share of Heading 2

Figure 3 highlights the evolution of the relative importance of the MFF Headings between 2007 and 2020: **the share of Heading 2 follows a downward trend, from 44.3% in 2007 to 36.1% in 2020 (-8.3 percentage points).** In particular, the share of market related expenditure and direct payments falls from 36.8% to 26.8% (-10 percentage points). Heading 1 funds, on the contrary, are characterised by a marked increase, while the shares of other Headings also increase, but to a lesser extent.

Table 8: MFF 2014–2020 as agreed in the 7–8 February European Council Conclusions, in %

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
HEADING 1. Smart and Inclusive Growth	44.9%	45.6%	46.1%	46.9%	47.5%	48.3%	49.2%	47.0%
1a: Competitiveness for growth and jobs	11.6%	12.1%	12.3%	12.9%	13.4%	14.2%	15.0%	13.1%
1b: Economic, social and territorial cohesion	33.3%	33.6%	33.8%	33.9%	34.1%	34.2%	34.2%	33.9%
HEADING 2. Sustainable Growth:Natural Resources	41.6%	40.7%	39.9%	39.0%	38.1%	37.0%	36.1%	38.9%
of which: Market related expenditure and direct payments	31.0%	30.3%	29.7%	29.1%	28.3%	27.6%	26.8%	28.9%
of which Rural development								8.8%
HEADING 3. Security and citizenship	1.5%	1.5%	1.6%	1.6%	1.7%	1.7%	1.8%	1.6%
HEADING 4. Global Europe	5.8%	6.0%	6.1%	6.1%	6.2%	6.3%	6.3%	6.1%
HEADING 5. Administration	6.1%	6.2%	6.3%	6.4%	6.5%	6.6%	6.7%	6.4%
of which : Administrative expenditure of the institutions	5.0%	5.0%	5.1%	5.2%	5.3%	5.3%	5.4%	5.2%
HEADING 6. Compensations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL COMMITMENT APPROPRIATIONS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
as a percentage of GNI	1.03%	1.02%	1.00%	1.00%	0.99%	0.98%	0.98%	1.00%
TOTAL PAYMENT APPROPRIATIONS	**128 030**	**131 095**	**131 046**	**126 777**	**129 778**	**130 893**	**130 781**	**908 400**
as a percentage of GNI	0.98%	0.98%	0.97%	0.92%	0.93%	0.93%	0.91%	0.95%
OUTSIDE THE MFF	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total 2014-2020**
Emergency Aid Reserve	6.4%	5.3%	5.3%	5.2%	5.2%	5.1%	5.0%	5.3%
European Globalisation Fund	3.4%	2.8%	2.8%	2.8%	2.8%	2.7%	2.7%	2.9%
Solidarity Fund	11.5%	9.5%	9.4%	9.3%	9.2%	9.1%	9.0%	9.5%
Flexibility instrument	10.8%	8.9%	8.9%	8.8%	8.7%	8.6%	8.4%	9.0%
European Development Fund	67.8%	73.4%	73.6%	73.9%	74.2%	74.5%	74.9%	73.3%
TOTAL OUTSIDE THE MFF	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
as a percentage of GNI	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
TOTAL MFF + OUTSIDE MFF	**138 671**	**140 597**	**141 368**	**142 464**	**143 291**	**144 573**	**145 817**	**996 782**
as a percentage of GNI	1.06%	1.06%	1.04%	1.04%	1.03%	1.02%	1.02%	1.04%

Source: Elaboration by EP Policy Department B based on EUCO 37/13.

3.4. A comparison of 2013 and 2020 levels

Comparisons of the levels of commitments in 2013 and in 2020 also provide useful information, as **2020 will be the reference year for the following MFF**. To this aim, **Table 9** provides a detailed comparison for the programmes located in Headings 1, 2, 3 and 4.

As regards headings, Headings 2 (-15%), 3 (-1%) and 4 (-4%) experience a decline, Heading 2 being by far the hardest hit. As far as Heading 1 is concerned, a 2% increase may be observed. Moreover, inside Heading 1, figures show a dramatic increase of funds under the competitiveness label (Heading 1a, +40%), while the funds for economic, social and territorial cohesion (Heading 1b) are reduced by -9%.

Table 9: Comparisons of 2013 and 2020 levels (commitment appropriations, in 2011 prices)

COMMITMENT APPROPRIATIONS, EUR million, 2011 Prices	2013	2014	2015	2016	2017	2018	2019	2020	2020 compared to 2013	Total 2014-2020
Galileo	1	1261	994	786	812	723	660	1064		**6 300**
o/w transfer to GSA Agency (European GNSS Agency)		*13*	*15*	*15*	*14*	*16*	*16*	*15*		**104**
Copernicus (European Earth monitoring programme, GMES)	326	342	514	531	544	562	748	545	**67%**	**3 786**
Nuclear Safety + Decommissioning	279	148	148	148	148	148	148	149	**-47%**	**1 036**
o/w Nuclear Safety	*22*	*25*	*25*	*25*	*25*	*25*	*26*	*26*	**16%**	**176**
o/w Decommissioning	*257*	*123*	*123*	*123*	*123*	*123*	*123*	*123*	**-52%**	**860**
International Thermonuclear Experimental Reactor (ITER)	901	886	624	299	291	261	232	114	**-87%**	**2 707**
Horizon 2020	9832	8588	9111	9572	10001	10399	10881	11647	**18%**	**70 200**
Competitiveness of enterprises and SMEs (COSME)	163	230	240	264	288	312	336	360	**121%**	**2 030**
Erasmus For All	1330	1337	1451	1628	1856	2026	2246	2467	**85%**	**13 010**
Social Change and Innovation	114	113	114	115	116	117	118	122	**7%**	**815**
Fiscalis-Customs-Anti-Fraud	102	112	113	114	115	116	117	119	**16%**	**805**
Agencies Before Transfer **(1)**	220	229	297	308	310	268	308	310	**41%**	**2 030**
Other	308	249	251	252	254	256	257	258	**-16%**	**1 777**
Margin	41	100	170	240	260	280	370	399	**873%**	**1 818**
Energy	22	547	693	581	659	732	845	1070	**4763%**	**5 126**
Transport	1428	1396	1518	1761	1882	2125	2246	2247	**57%**	**13 174**
Information and Communication Technologies (ICT)	3	70	85	129	157	165	186	208	**6843%**	**1 000**
Connecting Europe Facility	1452	2013	2296	2470	2698	3022	3277	3525	**143%**	**19 300**
HEADING 1a: Competitiveness for Growth and Jobs	***15 068***	***15 605***	***16 321***	***16 726***	***17 693***	***18 490***	***19 700***	***21 079***	**40%**	***125 614***
Youth Employment Initiative (top-up)		429	429	429	429	429	429	429		**3 000**
Regional Convergence	30 684	22 272	22 763	23 198	23 537	23 886	24 184	24 460	**-20%**	**164 279**
Transition Regions	1 962	4 525	4 525	4 525	4 525	4 525	4 525	4 525	**131%**	**31 677**
Competitiveness	6 312	7 070	7 070	7 070	7 070	7 070	7 070	7 070	**12%**	**49 492**
Territorial Cooperation	1 303	1 278	1 278	1 278	1 278	1 278	1 278	1 278	**-2%**	**8 948**
Cohesion Fund	11 882	8 905	9 140	9 346	9 508	9 671	9 828	9 964	**-16%**	**66 362**
Outermost and Sparsely Populated Regions	249	198	198	198	198	198	198	198	**-20%**	**1 387**
Margin		1	1	0	0	1	1	0		
HEADING 1b: Economic, Social and Territorial Cohesion	***52 392***	***44 678***	***45 404***	***46 045***	***46 545***	***47 038***	***47 514***	***47 925***	**-9%**	***325 149***
HEADING 1. Smart and Inclusive Growth	**67 460**	**60 283**	**61 725**	**62 771**	**64 238**	**65 528**	**67 214**	**69 004**	**2%**	**450 763**
Subceiling CAP (Direct Payments + Market Expenditure)	43 180	41 585	40 989	40 421	39 837	39 079	38 335	37 605	**-13%**	**277 851**
Rural Development	13 890	12 865	12 613	12 366	12 124	11 887	11 654	11 426	**-18%**	**84 936**
European Maritime and Fisheries Fund (EMFF, incl. Market measures) + Fisheries Partnership Agreements (FPAs) + Regional Fisheries Management Organisations (RFMOs)	937	959	957	951	940	931	921	917	**-2%**	**6 574**
Environmental and Climate Action (LIFE +)	352	381	402	419	438	456	474	486	**38%**	**3 057**
Agencies	50	49	49	49	49	49	49	49	**-2%**	**344**
Margin	1 223	44	50	55	60	64	69	74	**-94%**	**417**
HEADING 2. Sustainable Growth:Natural Resources	**59 633**	**55 883**	**55 060**	**54 261**	**53 448**	**52 466**	**51 503**	**50 558**	**-15%**	**373 179**
Asylum and Migration Fund	474	380	385	390	395	400	415	415	**-12%**	**2 780**
Internal Security Fund	463	380	383	424	465	511	542	613	**32%**	**3 318**
IT Systems (- IT Scale Agency)	7	18	18	18	18	18	18	18	**157%**	**123**
Justice	43	44	46	47	48	49	50	51	**19%**	**334**
Rights and Citizenship	33	52	53	54	56	57	58	60	**81%**	**389**
Civil Protection Mechanism	0	27	27	28	28	29	30	30		**198**
Europe for Citizens	27	22	22	23	24	24	25	25	**-8%**	**164**
Food Safety	336	239	239	239	240	241	241	240	**-29%**	**1 679**
Health for Growth	53	55	55	56	57	58	58	58	**10%**	**398**
Consumer Programme	23	23	23	24	24	24	25	25	**10%**	**167**
Creative Europe Programme	179	168	164	174	184	194	205	205	**14%**	**1 294**
Agencies (+IT Scale Agency)**(2)**	467	504	514	515	507	505	504	504	**8%**	**3 553**
Other	106	81	82	84	86	88	90	91	**-14%**	**601**
Margin	283	61	64	80	101	115	132	134	**-53%**	**687**
HEADING 3. Security and Citizenship	**2 494**	**2 053**	**2 075**	**2 154**	**2 232**	**2 312**	**2 391**	**2 469**	**-1%**	**15 686**
Instrument for Pre-accession (IPA)**(3)**	1 792	1 511	1 511	1 511	1 511	1 511	1 511	1 510	**-16%**	**10 576**
European Neighbourhood Instrument (ENI)	2 279	1 991	1 873	1 888	1 918	1 953	2 013	2 047	**-10%**	**13 683**
European Instrument for Democracy & Human Rights (EIDHR)	169	169	169	169	169	169	169	169	**0%**	**1 183**
Stability (Instrument for Stability, IfS)	316	296	296	296	297	297	297	297	**-6%**	**2 075**
Security (Common Foreign and Security Policy, CFSP)	381	296	296	296	297	297	297	297	**-22%**	**2 075**
Partnership Instrument (PI)	0	107	110	114	119	125	132	136		**844**
Development Cooperation Instrument (DCI)	2 519	2 176	2 280	2 388	2 491	2 601	2 714	2 740	**9%**	**17 390**
Humanitarian Aid	832	853	849	845	840	835	835	821	**-1%**	**5 878**
Civil Protection (CPFI) + Emergency Response Centre (ERC)	5	18	18	18	18	18	18	18	**258%**	**128**
European Voluntary Humanitarian Aid Corps (EVHAC)	0	12	14	16	20	23	23	23		**130**
Instrument for Nuclear Safety Cooperation (INSC)	76	29	29	29	29	29	29	28	**-64%**	**200**
Macro-Financial Assistance	96	72	72	72	72	72	72	70	**-27%**	**501**
Guarantee Fund for External Actions	150	55	222	247	177	155	136	71	**-53%**	**1 063**
Agencies	20	20	20	20	20	20	20	20	**-3%**	**137**
Other	134	114	114	160	114	114	114	112	**-17%**	**841**
Margin	377	135	211	211	286	336	386	436	**16%**	**2 000**
HEADING 4. Global Europe	**9 146**	**7 854**	**8 083**	**8 281**	**8 375**	**8 553**	**8 764**	**8 794**	**-4%**	**58 704**

(1) Including European Institute for Gender Equality (EIGE) that should be allocated to Heading 3.
(2) Without the European Institute for Gender Equality (EIGE) currently still in Heading 1a.
(3) Including funding for the Turkish Cypriot community.

Source: Elaboration by EP Policy Department B, based on the revised programme-by-programme breakdown for 2014-2020 prepared by the European Commission after the adoption of the European Council Conclusions on the MFF 2014-2020 (Council Document N°8288/13, available at: http://register.consilium.europa.eu/pdf/en/13/st08/st08288.en13.pdf).

- **The 7–8 February 2013 European Council set total allocations for the MFF 2014–2020 for 28 Member States at a lower level than for the previous MFF for 27 Member States (around EUR 34 billion less, i.e. -3.5% for both commitment and payment appropriations).**

- **This is the first time in the EU's history that an MFF is set at a lower level than its predecessor.**

- **In terms of relative shares in the MFF, Headings 1 and 2 have followed diverging trends between 2007 and 2020: while the first has increased by nearly 6 percentage points, the second has seen its share reduced by more than 8 percentage points.**

4. THE CAP IN THE MFF 2014–2020

4.1. The new MFF 2014–2020 allocation for Heading 2

On 7/8 February 2013, the Heads of State and Government decided to allocate to ***Heading 2 - sustainable growth: natural resources***, which includes the Common Agricultural Policy, Common Fisheries Policy, rural development and environmental measures, a maximum of **EUR 373.2 billion** ([65]) for the period 2014–2020, in commitment terms at 2011 constant prices.

A comparison between the Commission's proposal for Heading 2 in the MFF 2014–2020 ([66]) and the European Council's agreement shows a total reduction of **-3.4%**, from **EUR 386.5 billion** to **EUR 373.2 billion** (**Table 10**).

Furthermore, as regards the current Heading 2 in the MFF 2007–2013 compared to the European Council's agreement, the reduction represents **-11.3%** (**-EUR 47.5 billion**, from **EUR 420.7 billion** to **EUR 373.2 billion**) (**Table 4**) ([67]).

Table 10: Heading 2 and CAP in MFF

Heading 2 and the CAP in current MFF 2007-2013 (EU 27) [(a)] *million EUR - 2011 price*

		2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
Total HEADING 2		59 689	62 816	58 609	61 154	59 888	59 618	58 909	**420 682**
of which direct aids and market-related expenditure		49 531	49 046	48 565	48 089	47 617	47 150	46 688	336 685
of which Rural development									95 545

[(a)] Source for data in this table: Current MFF 2007/2013, based on European Commission, http://ec.europa.eu/budget/figures/fin_fwk0713/fwk0713_en.cfm
The figures include the technical adjustment of the financial framework for 2013 in line with movements in GNI, adopted by the Commission on 20 April 2012 (COM(2012)184), and deflated by 2%.
Direct aids and market-related expenditure are presented before modulation.

Heading 2 and the CAP in the Commission MFF proposal (EU 28) [(b)] *million EUR - 2011 price*

	2013 level in 2011 price	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
Total HEADING 2	59 633	57 845	57 005	56 190	55 357	54 357	53 371	52 348	**386 472**
of which direct aids and market-related expenditure	43 180	42 363	41 756	41 178	40 582	39 810	39 052	38 309	283 051
of which Rural development	13 890	13 618	13 351	13 089	12 832	12 581	12 334	12 092	89 895

[(b)] Source for data in this table: http://register.consilium.europa.eu/pdf/en/13/st08/st08288.en13.pdf (for 2013)
and http://ec.europa.eu/budget/library/biblio/documents/fin_fwk1420/MFF_COM-2011-500_Part_I_en.pdf
The figures for the 2013 reference year cannot be directly compared with those above as they were adjusted and updated in 2013 (9 April) to be comparable with the MFF 2014-2020.
For 2013, direct aids and market-related expenditure include the effect of compulsory modulation.

Heading 2 and the CAP in the MFF approved 8 February 2013 (EU 28) [(c)] *million EUR - 2011 price*

	2013 level in 2011 price	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
Total HEADING 2	59 633	55 883	55 060	54 261	53 448	52 466	51 503	50 558	**373 179**
of which direct aids and market-related expenditure	43 180	41 585	40 989	40 421	39 837	39 079	38 335	37 605	277 851
of which Rural development	13 890	12 865	12 613	12 366	12 124	11 887	11 654	11 426	84 936

[(c)] Source for data in this table: http://register.consilium.europa.eu/pdf/en/13/st08/st08288.en13.pdf
The figures for the 2013 reference year cannot be directly compared with those in the top table as they were adjusted and updated in 2013 (9 April) to be comparable with the MFF 2014-2020.
For 2013, direct aids and market-related expenditure include the effect of compulsory modulation.

Source: Elaboration by EP Policy Department B based on European Commission (http://ec.europa.eu/budget/figures/fin_fwk0713/fwk0713_en.cfm, http://ec.europa.eu/budget/library/biblio/documents/fin_fwk1420/MFF_COM-2011-500_Part_I_en.pdf), and European Council data (http://register.consilium.europa.eu/pdf/en/13/st08/st08288.en13.pdf).

Considering that the Heading 2 reduction is spread over the seven years, it is worth comparing the annual level of the commitments in 2020 with the 2013 level, a reduction from an annual

65 Source: European Council, 8 February 2013, EUCO 37/13

66 Source: Amended proposal for a Council Regulation laying down the multiannual financial framework for the years 2014–2020 / COM (2012) 388 final - 2011/0177 (APP). http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0388:FIN:EN:PDF.

67 It is worth noting that, when making comparisons with the 2007–2013 MFF, the actual commitment appropriations in this current programming period have been less than the ceilings contained in the MFF, so the actual cuts in CAP spending are less than the figures cited in this section.

commitment of **EUR 59.6 billion** in 2013 to **EUR 50.6 billion** in 2020, or **-15.1%** expressed as a percentage or **EUR 9 billion** in absolute terms (**Figure 4**).
It should be clarified that inside the MFF 2014–2020 is included a budget for the **Croatian accession** to the EU, which for the Heading 2 represents **EUR 3.5 billion** ([68]).

- **EUR 373.2 billion is allocated to Heading 2, which includes the Common Agricultural Policy, Common Fisheries Policy and LIFE+ for the period 2014–2020, compared to EUR 420.7 billion in the period 2007–2013.**
- **EUR 50.5 billion is the level of Heading 2 commitments in 2020, compared to the 2013 level of EUR 59.6 billion, representing a reduction of -15.1%.**

4.2. Expenditures inside Heading 2, including CAP

The European Council agreement confirms the retention of the two-pillar structure of the CAP. The maximum commitments for direct payments and market measures have been set at **EUR 277.9 billion** (Pillar 1) and **EUR 84.9 billion** for rural development (Pillar 2), as shown in **Table 10**.

Considering the 2009 *"Health Check"* and the increased compulsory modulation up to 2013, it is appropriate to calculate the reduction in the **rural development** allocation by comparing the 2013 level with the 2020 allocation. This comparison indicates a **-18% reduction** ([69]) (**Figure 5**).

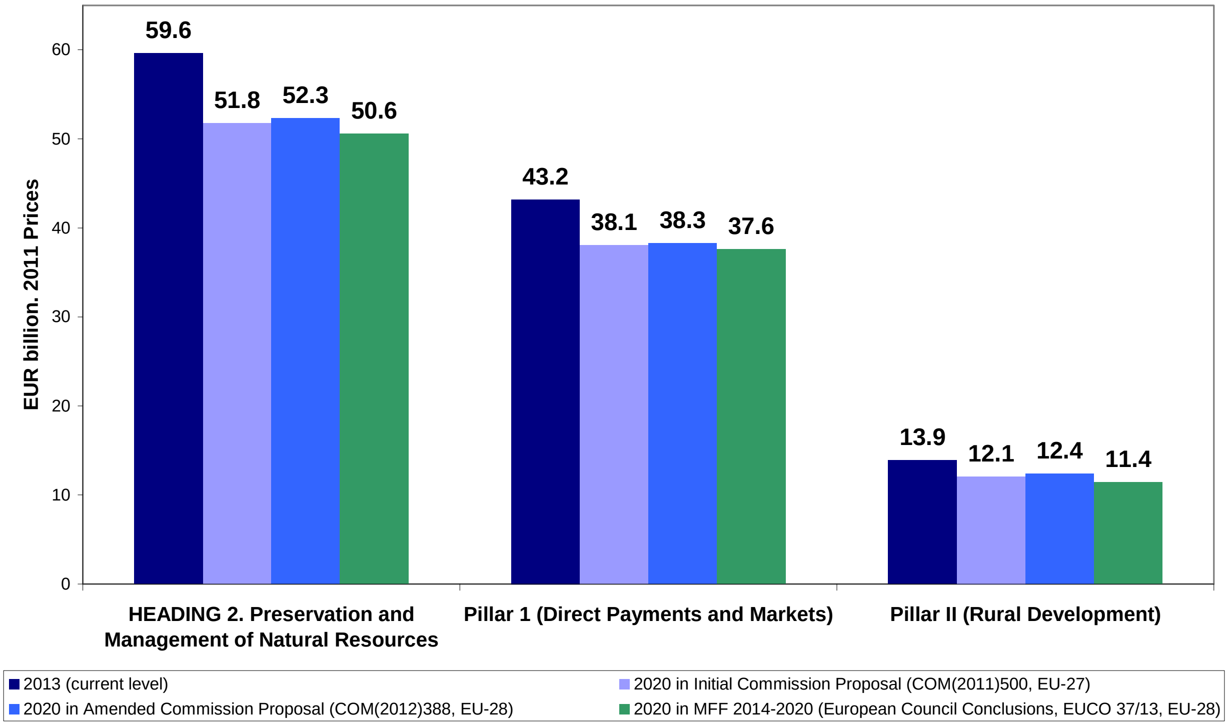
In the interests of clarity, it is worth noting that the reduction of the first pillar is affected by *direct payments being phased in* for Bulgaria, Romania and Croatia and the compulsory modulation 2007–2013 to the rural development fund. Taking into account both these effects, a comparison between the level of **direct payments and market measures** in 2013 (after modulation) and the level in 2020, shows a **reduction of -13%** (**Table 9** and **Figure 5**).

On the other hand, the '**reserve for crises in the agricultural sector'** to respond to exceptional circumstances, placed outside Heading 2 by the Commission, is included in the CAP expenditure under the European Council's agreement. This means that **in the case of this crisis reserve being used, direct payments shall be linearly cut** through the financial discipline mechanism (EUR 0.4 billion per year) (see §1.4).

In this context, the most significant reduction (around -40.3%, including assigned revenues) is in **market expenditures** when comparing the MFF 2007–2013 with the Council agreement, as illustrated in **Table 11** below. This loss is only offset in a virtual sense by the creation of the 'crisis reserve' inside Heading 2.

[68] As proposed by the European Commission (COM (2012) 388 of 6.7.2012).
[69] The -18% reduction for the rural development allocation only includes compulsory modulation. Including voluntary modulation, the reduction would be -19.7% (from EUR 14.215 million to EUR 11.426 million).

Figure 4: CAP expenditure, comparison of 2013 and 2020 levels in the various proposals



Source: Elaboration by EP Policy Department B based on European Commission and European Council data. Market related expenditure and Direct Payments for MFF 2007–2013 are reduced by the amounts transferred to other categories of expenditure, including to rural development.

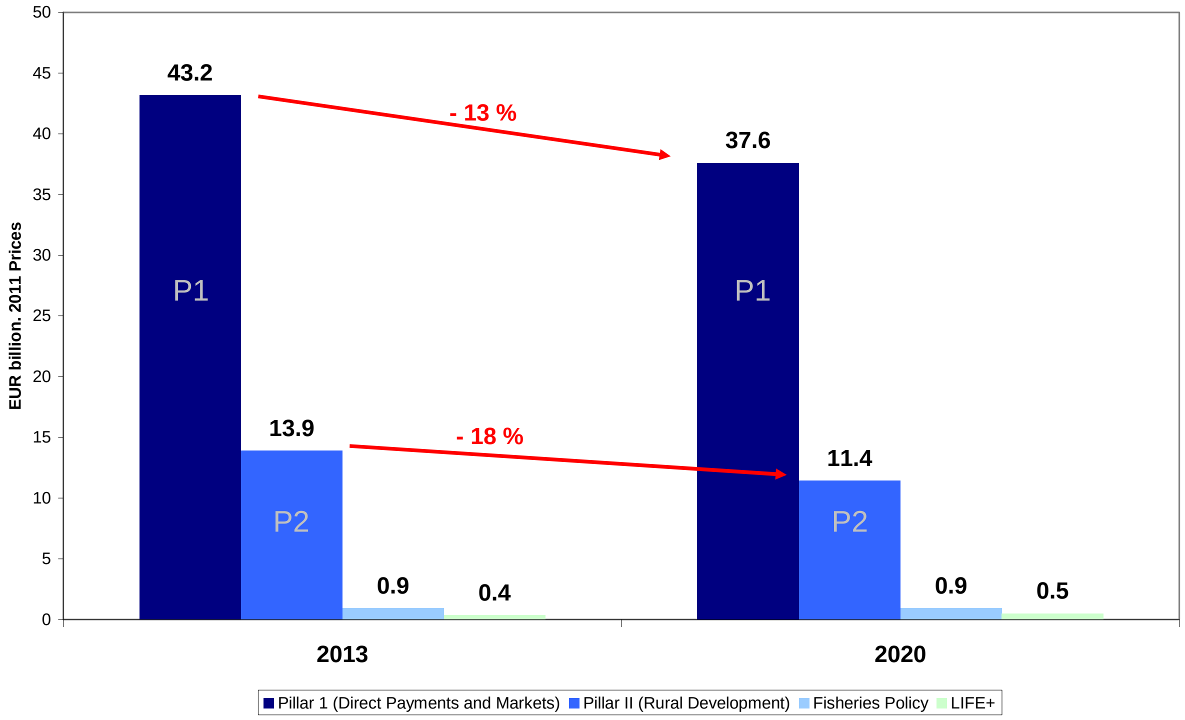
Inside Heading 2, the budget for the Common Fisheries and Integrated Maritime Policies has been confirmed at around **EUR 6.5 billion** for the period 2014–2020 and the budget for the activities in the fields of climate and environment through the LIFE programme *(Programme for the Environment and Climate Action)* has been set at **EUR 3.1 billion** (**Table 11** and **Figure 6**).

The scale of the Pillar 2 reduction was particularly regretted by the Agriculture Commissioner, Dacian Cioloş, in his press statement following the Conclusion of the European Council Summit, with him noting that such cuts in the rural development budget would mean less investment and consequently less growth ([70]).

Figure 6 below shows the relative percentage of the CAP expenditures inside Heading 2: 71% is allocated to direct payments, 23% to the rural development and 3% to market measures.

[70] Statement of Commissioner Cioloş on the Multiannual Financial Framework 2014–2020 after the European Council, 11 February 2013, available at: http://ec.europa.eu/commission_2010-2014/ciolos/headlines/news/2013/02/20130208_en.htm.

Figure 5: Heading 2 ceilings: 2013 level compared to 2020 level (EUR billion in 2011 Prices)



Source: Elaboration by EP Policy Department B. Source of data: http://register.consilium.europa.eu/pdf/en/13/st08/st08288.en13.pdf. The rural development allocation for 2013 only includes compulsory modulation.

Figure 6: Distribution of commitment appropriations inside Heading 2 (2014–20) (EUR billion)

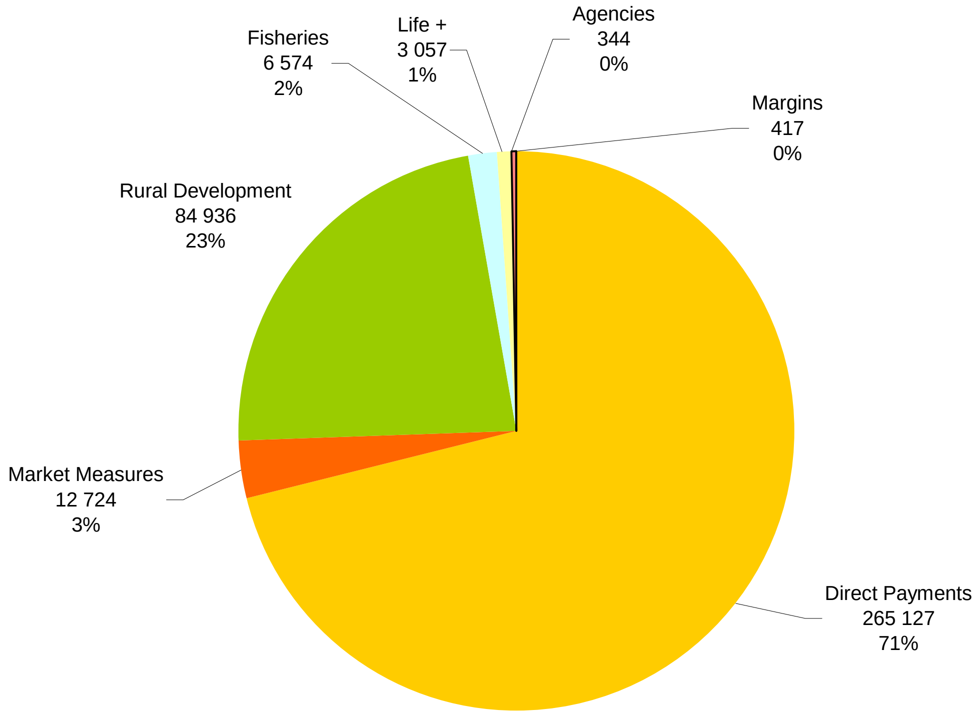


Table 11: Heading 2 in detail

MFF approved 8 February 2013, Heading 2 and the CAP (EU 28) *million EUR - 2011 price*

	2013 level (2011 price)	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020 (without assigned revenues)	2020 compared to 2013
Total Heading 2	**59 633**	**55 883**	**55 060**	**54 261**	**53 448**	**52 466**	**51 503**	**50 558**	**373 179**	**-15.2%**
Direct aids and market-related expenditure	**43 180**	**41 585**	**40 989**	**40 421**	**39 837**	**39 079**	**38 335**	**37 605**	**277 851**	**-12.9%**
of which direct payments		39 681	39 112	38 570	38 013	37 289	36 579	35 883	**265 127**	
of which 30% for greening		11 904	11 734	11 571	11 404	11 187	10 974	10 765	**79 538**	
of which market measures *	3 182	1 904	1 877	1 851	1 824	1 790	1 756	1 722	**12 724**	
Rural development	**13 890**	**12 865**	**12 613**	**12 366**	**12 124**	**11 887**	**11 654**	**11 426**	**84 936**	**-17.7%**
Fishery policy+EMFF + RFMOs	937	959	957	951	940	931	921	917	**6 574**	**-2.1%**
Life +	352	381	402	419	438	456	474	486	**3 057**	**38.2%**
Agencies	50.3	49.1	49.1	49.1	49.1	49.1	49.1	49.1	**344**	**-2.4%**
Margin	1223	44.1	50.2	54.9	59.5	64.3	69.4	74.3	**417**	

PRO MEMORIA:

	2013							2020	Total	2020 compared to 2013
Total Heading 2 including assigned revenue									**377 355**	
Market measures	3 182							1 722	**12 724**	
Estimated assigned revenue	646							565	**4 176**	
Final total market measures	3 828							2 287	**16 900**	**-40.3%**

Source: Elaboration by EP Policy Department B based on European Commission and European Council data. The figure for market measures is an estimation. A 2% deflator was used to calculate 2011 prices. Life, Fishery policy, Agencies and Margin data have been sourced from: http://register.consilium.europa.eu/pdf/en/13/st08/st08288.en13.pdf. The allocation for 2013 for rural development is EUR 13 890 million including compulsory modulation. For more information on assigned revenues, see COM (2011) 625.

- **The European Council's agreement maintains the 2013 budgetary split between the two CAP Pillars as the basis for the future funding period, cementing compulsory modulation into Pillar 2 (but not voluntary modulation).**
- **EUR 277.8 billion is allocated to direct payments and market measures in Pillar 1, while EUR 84.9 billion is assigned to rural development expenditure in Pillar 2.**
- **EUR 37.6 billion is allocated to direct payments and market measures in 2020, compared to EUR 43.2 billion in 2013, representing a reduction of -13%.**
- **EUR 11.4 billion is allocated to rural development in 2020, compared to EUR 13.9 billion in 2013, representing a reduction of -18%.**
- **71% of the total under Heading 2 is allocated to direct payments, 23% to rural development and 3% to market measures**

Table 12: MFF 2014–2020 Allocation and redistribution of direct payments (DP) by Member State (2011 constant prices, EUR million)

2011 constant prices

DIRECT PAYMENTS				
		Baseline 2007-2013	Total 2014-2020	var. %
BE	Belgium	3.539	3.287	-7,1%
BG	Bulgaria	4.652	4.547	-2,3%
CZ	Czech Republic	5.617	5.427	-3,4%
DK	Denmark	5.999	5.642	-6,0%
DE	Germany	33.419	31.782	-4,9%
EE	Estonia	629	826	31,3%
IE	Ireland	7.810	7.552	-3,3%
EL	Greece	14.703	13.866	-5,7%
ES	Spain	32.472	31.725	-2,3%
FR	France	49.830	47.736	-4,2%
HR	Croatia		1.014	-
IT	Italy	25.681	24.003	-6,5%
CY	Cyprus	333	314	-5,7%
LV	Latvia	911	1.372	50,6%
LT	Lithuania	2.363	2.744	16,1%
LU	Luxembourg	216	209	-3,2%
HU	Hungary	8.169	7.901	-3,3%
MT	Malta	34	31	-8,8%
NL	Nederland	5.167	4.783	-7,4%
AT	Austria	4.452	4.313	-3,1%
PL	Poland	18.932	18.739	-1,0%
PT	Portugal	3.897	3.940	1,1%
RO	Romania	10.132	10.393	2,6%
SI	Slovenia	897	856	-4,6%
SK	Slovakia	2.399	2.382	-0,7%
FI	Finland	3.354	3.258	-2,9%
SE	Sweden	4.463	4.337	-2,8%
UK	United Kingdom	22.705	22.148	-2,5%
EU-27		272.775		
EU-28			265.127	

Source: Estimation by Policy Department B, based on European Commission data. The amounts for POSEI, SAI, cotton and the transfers made from the wine envelopes are included. For some new Member States the reduction is partly absorbed by the phasing in of direct payments during 2007–2013 and it is important to note that the column headed "*'Baseline' Total 2007-2013*" does not represent the actual envelopes for that period, but rather a comparator corresponding to a continuation of the existing policy scenario. In this table, the EUR 2.8 billion dedicated to the crisis reserve has also not been deducted.

Table 13: MFF 2014–2020 Allocation and redistribution of rural development appropriations (RD) by Member State (2011 constant prices, EUR million)

2011 constant prices

RURAL DEVELOPMENT				
		Baseline 2007-2013	Total 2014-2020	var. %
BE	Belgium	496,1	490,3	-1,2%
BG	Bulgaria	2.686,5	2.078,6	-22,6%
CZ	Czech Republic	2.914,5	1.929,4	-33,8%
DK	Denmark	585,5	559,4	-4,5%
DE	Germany	9.117,0	7.303,8	-19,9%
EE	Estonia	737,1	645,1	-12,5%
IE	Ireland	2.547,8	1.946,2	-23,6%
EL	Greece	3.962,8	3.729,1	-5,9%
ES	Spain	8.161,8	7.368,3	-9,7%
FR	France	7.705,3	8.804,6	14,3%
HR	Croatia		2.066,3	-
IT	Italy	9.138,5	9.266,9	1,4%
CY	Cyprus	168,5	117,5	-30,3%
LV	Latvia	1.076,3	861,1	-20,0%
LT	Lithuania	1.802,9	1.433,5	-20,5%
LU	Luxembourg	97,0	89,4	-7,8%
HU	Hungary	3.938,2	3.071,0	-22,0%
MT	Malta	79,4	87,9	10,7%
NL	Nederland	602,3	539,8	-10,4%
AT	Austria	4.117,6	3.498,4	-15,0%
PL	Poland	13.691,3	9.724,2	-29,0%
PT	Portugal	4.140,7	3.605,6	-12,9%
RO	Romania	8.203,8	7.124,1	-13,2%
SI	Slovenia	938,4	744,4	-20,7%
SK	Slovakia	2.038,4	1.680,0	-17,6%
FI	Finland	2.203,7	2.114,6	-4,0%
SE	Sweden	1.968,0	1.550,9	-21,2%
UK	United Kingdom	2.426,0	2.293,4	-5,5%
EU-27		95.545,4		
EU-28			84.723,7	
EU-28 + Technical assistance			84.936,0	

Source: Elaboration by Policy Department B, based on European Commission data. For the period 2007–2013, the figures above include the effects of compulsory modulation from Pillar 1 to Pillar 2, but not voluntary modulation (for UK the figure including voluntary modulation would represent 4 673 EUR million for 2007- 2013). The discreet Member State allocations in Pillar 2 are included.

4.3. CAP allocations and redistribution between Member States

One of the most difficult tasks for the European Council was the redistribution of the CAP commitments between Member States, complicated by the difference in terms of net contributions to or net receipts from the EU. In the end, the agreement can be seen as a political compromise which takes into account the overall balance between the first and second pillars and the budgetary concessions in other policies (see §1.2.3).

Table 12 shows the **direct payments allocations** by Member States for 2014–2020 and their relative redistribution, compared to the previous period 2007–2013.

In particular, Denmark, Netherlands, Belgium, Italy, Greece and Malta have suffered more than a 5% reduction in comparison to the previous period and almost a 5% reduction is experienced by Germany. In absolute terms, France, Italy and Germany paid most for the redistribution. On the other side, Estonia, Latvia and Lithuania are the clear winners, with a slight increase for Romania and Portugal.

Table 13 shows the **rural development allocations** by Member States for 2014–2020 and their relative redistribution, compared to the previous period 2007–2013.
Bulgaria, Czech Republic, Germany, Estonia, Ireland, Cyprus, Latvia, Lithuania, Hungary, Nederland, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Sweden lost more than 10% of their rural development allocation. On the other side, France and Malta bucked the overall EU trend by establishing gains in their respective rural development allocations of more than 10%, while Italy also gained slightly, as a partial compensation of the first pillar reduction (see comments in §5.4.1).

In aggregate summary, **Table 14** shows the estimated increases or reductions in the **total CAP allocations** for each Member State comparing the period 2007–2013 to 2014–2020. In particular Estonia, Latvia, Lithuania and Malta gained something more than what the Commission proposed, while 21 Member States lost in percentage terms compared to the previous period. However, it is important to stress that the losses for Member States should be read in the context of a general reduction of CAP expenditures as shown in the previous sections (see §3).

Moreover, in making the comparisons in **Table 14**, for new Member States their total CAP allocations for 2007–2013 are calculated on the basis of a 100% level of direct payment phasing in throughout the period. This hypothetical assumption prevents the like-for-like comparison shown in the table from being distorted by the effect of the phasing in. If, however, the baseline for 2007–2013 had instead used actual EU Pillar 1 payments for the new Member States, for a country like Poland, for example, the percentage change in the right-hand column would be very different.

- **The CAP allocations and redistribution between Member States can be seen as a political compromise which takes into account the overall balance between the first and second pillars and the budgetary concessions in other policies.**
- **In the context of a general reduction of CAP expenditures, most of the Member States lost part of their CAP allocations, some limited their losses and only Estonia, Latvia, Lithuania and Malta gained compared to the 2007-2013 period.**

Table 14: MFF 2014–2020 Allocation and redistribution of the CAP by Member State (2011 constant prices, EUR million)

2011 constant prices

TOTAL DIRECT PAYMENTS + RURAL DEVELOPMENT				
		Total DP + RD 2007-2013	Total DP + RD 2014-2020	var. %
BE	Belgium	4.035	3.777	-6,4%
BG	Bulgaria	7.339	6.626	-9,7%
CZ	Czech Republic	8.532	7.356	-13,8%
DK	Denmark	6.585	6.201	-5,8%
DE	Germany	42.536	39.086	-8,1%
EE	Estonia	1.366	1.471	7,7%
IE	Ireland	10.358	9.498	-8,3%
EL	Greece	18.666	17.595	-5,7%
ES		40.634	39.093	-3,8%
FR	France	57.535	56.541	-1,7%
HR	Croatia		3.080	-
IT	Italy	34.820	33.270	-4,5%
CY	Cyprus	501	432	-14,0%
LV	Latvia	1.987	2.233	12,4%
LT	Lithuania	4.166	4.178	0,3%
LU	Luxembourg	313	298	-4,7%
HU	Hungary	12.107	10.972	-9,4%
MT	Malta	113	119	4,8%
NL	Nederland	5.769	5.323	-7,7%
AT	Austria	8.570	7.811	-8,8%
PL	Poland	32.623	28.463	-12,8%
PT	Portugal	8.038	7.546	-6,1%
RO	Romania	18.336	17.517	-4,5%
SI	Slovenia	1.835	1.600	-12,8%
SK	Slovakia	4.437	4.062	-8,5%
FI	Finland	5.558	5.373	-3,3%
SE	Sweden	6.431	5.888	-8,4%
UK	United Kingdom	25.131	24.441	-2,7%
EU-27		368.320		
EU-28			349.851	
EU-28 + RD Technical assistance			350.063	

Source: Elaboration by Policy Department B, based on European Commission data. For some new Member States the reduction is partly absorbed by the phasing in of direct payments during 2007–2013 and it is important to note that the column headed total 2007-2013 does not represent the actual envelopes for that period, but rather a comparator corresponding to a continuation of the existing policy scenario. For some new Member States the reduction is partly absorbed by the phasing in of direct payments during 2007–2013. In this table, the EUR 2.8 billion dedicated to the crisis reserve is not deducted, but the discreet Member State allocations in Pillar 2 are included.

4.4. Agricultural resources outside Heading 2

While the new '***reserve for crises in the agricultural sector***', previously outside the Heading 2, has been inserted in the **direct payments and market measures** sub-heading, other agricultural expenditure has been **removed from Heading 2 by the European Council** (see §1.4).

Support for the **most deprived people** is transferred to Heading 1 (European Social Fund). It consists of **EUR 2.5 billion** for seven years. Considering the objectives of the Europe 2020 Strategy, the resolutions of the EP and the current allocation of **EUR 3.5 billion** for seven years, there is an argument that might suggest that the new allocation may not be appropriate, particularly when compared to the Food Stamp Program in the US.

Considering that the 7/8 February Summit Conclusions do not mention some measures, it can be assumed that the Commission proposal on these issues is confirmed, as far as the European Council is concerned. It is also likely that the **Veterinarian and Plant Health funds** are relocated to Heading 3.

- **The new 'reserve for crises in the agricultural sector', previously outside the Heading 2, has been inserted in the direct payments and market measures sub-heading.**
- **Support for the most deprived people is transferred to Heading 1 (European Social Fund) and reduced from EUR 3.5 billion for seven years to EUR 2.5 billion.**

5. ELEMENTS OF CAP REFORM INDICATED BY EUROPEAN COUNCIL CONCLUSIONS ON THE MFF

5.1. Institutional differences over handling of CAP reform specificities

In our previous note on the CAP in the 2014/2020 MFF ([71]), we highlighted the way that the Commission's Communication on '*A Budget for Europe 2020*' ([72]) had pre-empted the legislative CAP reform package, by anticipating several of the key future orientations. The Regulation proposed by the Commission, '*laying down the multiannual financial framework for the years 2014–2020*' ([73]), included only a very few references to agriculture, with it instead merely explaining how the new *'crisis reserve'* was expected to operate outside the MFF, before the proposed budgetary headings were laid out in the annex table.

As discussed above in Section §1.3, the European Parliament's previous resolutions on the MFF have indicated discomfort at the way the European Council has incorporated "*policy choices falling within the ordinary legislative procedure*" when formulating its conclusions on the future financial perspective ([74]). The different CAP reform elements that were eventually included in the European Council Conclusions of 7/8 February 2013 are compared below with the respective positions adopted into the EP's mandate for negotiations on the CAP. Such a comparison, in the context of this note, should not, however, be misconstrued as inferring any acceptance of the European Council's handling of these policy choices, which – as far as the European Parliament is concerned – should all be subject to the *'Ordinary Legislative Procedure'*. Indeed, the EP lead negotiators on the CAP package have in recent weeks been at pains to stress the need for Council to be prepared to compromise on the CAP-related items that were included in the European Council conclusions on the MFF.

5.2. Pillar 1

5.2.1. Level and model for redistribution of direct support - details of convergence across Member States

The overall methodological approach put forward by the Commission to distribute direct income support payments more equitably between the Member States seems largely to have been accepted by the European Council. As with the Commission's legislative text, "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" ([75]). In contrast, **the negotiating mandate adopted by the EP envisaged a more nuanced approach**, with **100%** (rather than 90%) **of the EU average being used** as the reference point, so that:

[71] European Parliament, "*The CAP in the Multiannual Financial Framework 2014/2020*", Policy Department B: Structural and Cohesion Policies, IP/B/AGRI/NT/2011_12, PE460.067, 11 October 2011, p. 41.

[72] European Commission, "*A Budget For Europe 2020 – Part I*", COM(2011) 500 final, 29.6.2011, (http://ec.europa.eu/budget/library/biblio/documents/fin_fwk1420/MFF_COM-2011-500_Part_I_en.pdf).

[73] European Commission, "*Proposal for a Council Regulation laying down the multiannual financial framework for the years 2014–2020*, COM(2011) 398 final, 29.6.2011 (available at: http://ec.europa.eu/budget/library/biblio/documents/fin_fwk1420/proposal_council_regulation_COM-398_en.pdf).

[74] EP Resolution of 23 October 2012 on the Multiannual Financial Framework for the years 2014–20202, P7_TA-(2012)0360, point K.

[75] Conclusions of European Council, 7/8 February 2013, point 64.

- in Member States with a current level of direct payments per hectare that is below 70% of the Union average, that shortfall is reduced by 30%;
- in Member States with a level of direct payments between 70% and 80% of the average, the shortfall should be reduced by 25%; and
- in those Member States where the level is more than 80% of the average it should be reduced by 10% ([76]).

The European Council Conclusions included an **innovative addition** in the way it guaranteed that "*all Member States should attain at least the level of EUR 196 per hectare in current prices by 2020*" ([77]), with the effects of such a provision **benefitting the three Baltic States** of Latvia, Estonia and Lithuania, all of whom would not have reached this level under the Commission's proposals. It is worth noting that by introducing this new floor in the distribution of direct payments, the European Council was **mirroring an almost identical initiative that originally featured in the European Parliament rapporteur's draft report** and which successfully made its way into the COMAGRI negotiating mandate, before it was refined as part of the EP Plenary vote. The "*preamble*" which now features in the EP negotiating mandate provides a safeguard designed to ensure that the level of per hectare payment received in any Member State could **not be less than 75% of the EU average in 2019** ([78]) (see §13.1)..

To fund the convergence, the European Council endorsed the Commission's plan for all Member States with direct payments above the EU average to finance the redistribution **proportionally** to their distance from the EU average payment level. While the negotiating mandate adopted by the EP uses similar language about financing the redistribution "*proportionally by all Member States with direct payments above the Union average*", the crucial difference is that a **linear reduction** is envisaged, which would take more money away from Member States with the largest national ceilings (such as Germany and France) than an approach linked to the relative distance from the EU average.

Another difference across the respective institutional positions can be seen with regard to the **length of time** over which the external convergence is to be implemented. The EP position accepts the Commission's proposed start to convergence in financial year 2015 and the four-year implementation period, ending in financial year 2018. The speed of the progression of convergence is, however, reduced in the European Council's position, with the process taking **six years up until financial year 2020**.

Rather cryptically, the European Council Conclusions also mention the need to take account of "*specific circumstances, such as agricultural areas with high added value and cases where the effects of convergence are disproportionately felt*", when allocating CAP supports between Member States. While no specific details are provided in the published text, the reference to "*overall allocation*" provides a clue to the way particular Member State grievances over the allocation of direct payments assigned to them by the Commission have been dealt with. The discrete Member State rural development allocations, discussed in §5.4.1 below, appear to be the main method to ease the pain of the redistribution for

[76] European Parliament *decision of 13 March 2013 on the opening of, and mandate for, interinstitutional negotiations on the proposal for a 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*, (COM(2011)0625 – C7 0336/2011 – COM(2012)0552 – C7-0311/2012 – 2011/0280(COD) – 2013/2528(RSP)), Amendment 139 (http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0084+0+DOC+XML+V0//EN&language=EN).

[77] Conclusions of European Council, 7/8 February 2013, point 64.

[78] EP negotiating mandate on direct payments, Amendment 139.

some countries, while simultaneously offering increased flexibility to shift funds away from Pillar 2 and into direct payment ceilings.

The result of the changes to the redistribution of direct payments between Member States can be seen in **Table 15** below, which focuses on the comparison between the allocations (for the final year of the next funding period, in 2020) adopted in the EP negotiating mandate and those in the European Council position agreed on 8 February 2013.

Table 15: Comparison of the Member State Direct Payment Net Ceilings for 2020

Comparison of the Member State Direct Payment Net Ceilings for 2020				
	EUR million – current prices			European Council / COMAGRI
	Commission proposal	European Parliament	European Council 8 Feb	var. %
Belgium	525.21	535.64	505.27	-5.7
Bulgaria	812.11	814.89	796.29	-2.3
Czech Republic	890.23	894.05	872.81	-2.4
Denmark	909.35	907.78	880.38	-3.0
Germany	5 156.97	5 057.25	5 018.40	-0.8
Estonia	134.75	149.20	169.37	13.5
Ireland	1 235.78	1 230.94	1 211.07	-1.6
Greece	2 014.75	2 026.71	1 947.18	-3.9
Spain	4 988.38	4 986.45	4 893.43	-1.9
France	7 619.51	7 392.71	7 437.20	0.6
Italy	3 841.61	3 886.27	3 704.34	-4.7
Cyprus	50.29	50.36	48.64	-3.4
Latvia	218.16	266.70	302.75	13.5
Lithuania	458.27	472.31	517.03	9.5
Luxemburg	34.12	33.02	33.43	1.3
Hungary	1 294.51	1 298.79	1 269.16	-2.3
Malta	4.92	5.18	4.69	-9.5
Netherlands	762.52	781.90	732.37	-6.3
Austria	705.55	707.18	691.74	-2.2
Poland	3 121.45	3 188.36	3 061.52	-4.0
Portugal	610.80	630.72	599.36	-5.0
Romania	1 939.36	2 002.24	1 903.20	-4.9
Slovenia	138.10	135.81	134.28	-1.1
Slovakia	402.07	409.51	394.39	-3.7
Finland	535.08	538.71	524.63	-2.6
Sweden	713.68	717.36	699.77	-2.5
United Kingdom	3 662.77	3 660.26	3 591.68	-1.9
EU-27	42 780.28	42 780.28	41 944.35	-2.0

Source: Elaboration by EP Policy Department B based on European Commission and European Council data in ***current prices*** for the EU-27 Member State allocations for **2020**. Please note that the data in this table are derived from the net ceilings contained in Annex 2 of the Direct Payments regulation, so are not directly comparable with the earlier comparisons of all direct payments made in Table 12.

Section §4.2 explains above how the annual budget for direct payments reduces in real terms across the seven year funding period of the next MFF. However, it is worth noting that an earlier version of the 'Negotiating box', tabled by the Cypriot Presidency of the EU at the COREPER meeting of 31 October 2012, actually was explicit in detailing this intention, noting that "*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*" ([79]).

5.2.2. Capping of support to large farms

One of the more **significant divergences** of opinion on the main elements on CAP reform comes in relation to the proposed capping of direct payments for large beneficiaries. Here, the majority position in the **EP largely endorsed the proposal of the Commission** on the 'progressive reduction and capping' of payments, with a few relatively minor amendments ([80]). The European Council, however, opted to make this provision **wholly voluntary** for Member States ([81]).

5.2.3. Method for financial discipline

The European Council also chose to stipulate its preferred financial discipline methodology in its 7/8 February Conclusions ([82]), although this interpretation of the detailed rules for applying the mechanism became the subject of some contention. Around the time of the March Agriculture Council, which saw the adoption of the Council General Approach on the CAP package, two separate memoranda were issued taking polar opposite positions on the so-called franchise used previously to exempt the lowest tranche of direct payment receipts from the linear cuts imposed by modulation. Arguing against the exemption for payments below the franchise threshold were a group of predominantly net contributor countries whose disproportionately high numbers of large farms would leave them disadvantaged in comparison to other Member States. This divergence of opinion was largely mirrored in the debates within the EP, with the Commission's proposed EUR 5,000 franchise accepted by COMAGRI, but then deleted in the Plenary vote. The same arguments have again resurfaced in response to the Commission's separate proposal on the application of financial discipline for the 2014 financial year ([83]), but this time the COMAGRI position to maintain the EUR 5,000 franchise was confirmed in the Plenary vote in June ([84]).

5.2.4. Greening of direct payments

Paragraph 67 of the European Council Conclusions starts by making reference to the "*Regulation of the European Parliament and of the Council*", apparently acknowledging that the details surrounding the so-called '*greening*' provisions should be agreed under the '*Ordinary Legislative Procedure*'. One arguably legitimate budgetary issue – the stipulation that 30% of a Member States' national ceiling has to be devoted to 'greening' – is included in the European Council text. However, also incorporated are a number of other aspects that are clearly policy choices falling under co-decision. Among these is an indication that "*all farmers will have to follow*" the '*greening*' practices and a rather subjective reference to "*avoiding unnecessary administrative burden*". The **precise meaning** of these aspects of the European Council Conclusions is **open to interpretation**, as has become apparent as part of the CAP trialogue negotiations. The requirement that "*all farmers will have to follow*"

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[79] Council of the European Union, *Note from the Presidency on the Multiannual Financial Framework (2014–2020) – Negotiating box*, 29 October 2012, 15599/12, point 53.

[80] EP negotiating mandate on direct payments, Amendments 41–45.

[81] Conclusions of European Council, 7/8 February 2013, point 65.

[82] *Ibid*., point 66.

[83] *Proposal for a Regulation of the European Parliament and of the Council on fixing an adjustment rate to direct payments provided for in Regulation (EC) No 73/2009 in respect of calendar year 2013*, COM(2103) 159 final, Brussels, 25.3.2013.

[84] See: http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2013/0087(COD)&l=en.

the 'greening' practices has been interpreted into the Council negotiating mandate in such a way that it conflicts with the EP's intention to limit any withdrawals and reductions associated with non-compliance of the 'greening' rules to no more than the extent of the '*greening*' payment ([85]), which could indirectly make it voluntary at the farm level.

Another ambiguous phrase in the European Council Conclusions refers to "*a clearly defined flexibility for the Member States relating to the choice of equivalent greening measures*". The Commission first formally advanced the idea of an **equivalence approach to 'greening'** in its May 2012 Concept Paper ([86]), but then chose not to publicise any more practical details in advance of the trilogue negotiations. Consequently, the "*clearly defined flexibility*" was interpreted broadly into the Council's General Approach to allow flexibility in substituting alternative measures, provided they yield an equivalent or higher benefit for the climate and the environment compared to the Commission's default three measures ([87]). The Council's preference for an approach to equivalence based on environmental **impacts or benefits** was thought by the Commission to have practical issues regarding the necessary objective assessment and potential for circumvention of the most onerous requirements of the default greening measures. To avoid this, the Commission has maintained its view that it would be safer to use a list of **equivalent practices** as a way of providing more certainty to farmers and administrations on the potential alternative agri-environment or certification scheme requirements which could substitute for each of the three greening measures.

The section on '*greening*' in the European Council Conclusions was supplemented by a **late addition**, which had not featured in the previous iterations, **on the requirement to have an Ecological Focus Area** (EFA) on each agricultural holding. The newly inserted text, widely reported as being inspired by a German intervention ([88]), now states that the EFA measure "*will be implemented in ways that do not require the land in question to be taken out of production and that avoids unjustified losses in the income of farmers*" ([89]). While the second half of this stipulation could be interpreted as already being compatible with EP's move to detach the 'greening' payment as a separate and additional payment to the Basic Payment Scheme income support payment, the first part has proved more controversial. The *CAP2020 website* noted how "*extremely valuable management practices for protecting water quality, soils and biodiversity, such as buffer strips along water courses or leaving areas fallow, may be excluded*" under this provision ([90]), with the European Environmental Bureau going even further in describing this stipulation as rendering the most important '*greening*' measure as "*completely meaningless*" ([91]). A more dispassionate analysis might, however, point to the fact that the EP negotiating mandate included as

[85] European Parliament *decision of 13 March 2013 on the opening of, and mandate for, interinstitutional negotiations on the proposal for a regulation of the European Parliament and of the Council on the financing, management and monitoring of the CAP (COM(2011)0628 final/2 – C7-0341/2011 – COM(2012)0551 final – C7-0312/2012 – 2011/0288(COD) – 2013/2531(RSP))*, Amendments 16, 111 (available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0087+0+DOC+XML+V0//EN&language=EN).

[86] European Commission, *Concept paper – May 2012, Agricultural Council – Greening*, (http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/concept-paper-on-greening_en.pdf).

[87] Presidency consolidated draft amendments on the direct payments regulation, 7183/13, Brussels, 12 March 2013 (http://register.consilium.europa.eu/pdf/en/13/st07/st07183.en13.pdf)

[88] See, for example, quotes attributed to German Farm Minister, Ilse Aigner, noting that the move to limit the impact of EFAs on production was "*a great success*", in *Agra Facts*, No.12-13, 13 February 2013, p. 3.

[89] Conclusions of European Council, 7/8 February 2013, point 67.

[90] CAP2020, "*Mixed news for the EU's environment from today's MFF deal*", 11 February 2013 (http://cap2020.ieep.eu/2013/2/11/mixed-news-for-the-eu-s-environment-from-today-s-mff-deal?s=1&selected=latest).

[91] European Environmental Bureau, "*The unkindest cut of all: green heart to be taken out of farm subsidies*", news release, 8 February 2013 (http://www.eeb.org/EEB/index.cfm/news-events/news/the-unkindest-cut-of-all-green-heart-to-be-taken-out-of-farm-subsidies/).

being eligible for inclusion in the EFA requirement, areas under "*production without utilisation of pesticide and fertiliser application*", as well as "*land planted with nitrogen-fixing crops*" ([92]). Given that the productive EFA options also feature in the Council's negotiating mandate ([93]), **the stipulation in the European Council Conclusions may not actually constrain too much** what might otherwise have been **the likely inter-institutional compromise on this point**. However, the European Parliament might still take issue with the European Council's MFF Conclusions pronouncing on something that seems so far removed from budgetary matters and so clearly a policy detail falling under the *'Ordinary Legislative Procedure'*.

- **The European Council's position on the external convergence of Pillar 1 direct payments across Member States includes a very similar safeguard provision to that included in the EP negotiating mandate, which ensures the three Baltic States attain a slightly boosted minimum level of per hectare payment.**
- **The speed of implementing the external convergence is slower under the European Council's plans, following a six-year transition rather than the four years advocated by both the Commission and the EP.**
- **The European Council's decision to make the capping of support to large farms wholly voluntary for Member States represents one of the more significant divergences of opinion with the EP.**

5.3. Flexibility between pillars

Member States' ability to rebalance their overall CAP budget allocation between the two Pillars would be expanded under the European Council Conclusions ([94]). The maximum percentage flexibility attached to the mechanism allowing **adjustments in favour of rural development** programming financed under EAFRD is **increased** from the 10% envisaged in the Commission's CAP proposals ([95]) **to 15%**, which is consistent with the EP negotiating mandate ([96]), but still lower than the 20% provided for in the Voluntary Modulation Regulation ([97]), which it effectively replaces ([98]).

[92] EP negotiating mandate on direct payments, Amendment 65.

[93] Presidency consolidated draft amendments on the direct payments regulation, 7183/13, Brussels, 12 March 2013 (http://register.consilium.europa.eu/pdf/en/13/st07/st07183.en13.pdf) and Presidency compromise on the direct payments regulation, 7539/13, Brussels, 19 March 2013 (http://register.consilium.europa.eu/pdf/en/13/st07/st07539.en13.pdf).

[94] Conclusions of European Council, 7/8 February 2013, points 68–69.

[95] European Commission, *Proposal for a 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*, COM(2011) 625 final/2, 19 October 2011, Article 14(1).

[96] EP negotiating mandate on direct payments, Amendment 46.

[97] Council Regulation (EC) No 378/2007 of 27 March 2007 laying down rules for voluntary modulation of direct payments provided for in Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, and amending Regulation (EC) No 1290/2005.

[98] While this section refers to '*transfers*' and '*modulation*', strictly speaking the Article 14 flexibility is distinct from the instrument of '*modulation*' in the sense that its effects are not so evident at the farm level, with it instead involving a one-off adjustment of the amounts available to Member States both for granting direct payments and for measures under rural development programming.

The Commission's plan to make the mechanism providing flexibility to shift resources between the two CAP Pillars bidirectional in nature was trailed in our previous note on the MFF. Significantly, it is the so-called '**reverse modulation**' flexibility (i.e. transfers from Pillar 2 to Pillar 1) which **is expanded the most** under the European Council Conclusions. Not only are the 12 Member States with direct payments below 90% of the EU average ([99]) now afforded the possibility to reverse modulate 10% of their rural development allocations – up from the 5% in the Commission's proposals to match the position adopted into the EP negotiating mandate – but a **new provision allowing all Member States the possibility to transfer another 15% from Pillar 2 to Pillar 1** is also included. This additional scope to reverse modulate offers the real possibility that in some Member States up to a quarter of their rural development resources will be redeployed to supplement farmers' income support payments in Pillar 1, a position that clearly **deviates considerably from the EP's negotiating mandate**.

This change adopted into the European Council Conclusions means that, in theory, if the flexibility to reverse modulate was utilised by all Member States to its maximum extent, then the overall rural development budget financed by EAFRD would be reduced by around 20%, compared to the counterfactual position where no such transfers were made. This potential risk to rural development funding can be seen to further exacerbate the European Council's decision, outlined above in Section §4.2, to target Pillar 2 for disproportionately severe cuts as part of attempts to constrain overall CAP spending.

The polar opposite extreme scenario would envisage every Member State instead taking up the opportunity to shift 15% of their annual direct payments national ceilings into Pillar 2. This could theoretically expand the overall rural development by almost 47%, although the limited application of Voluntary Modulation to date suggests transfers in favour of Pillar 2 are unlikely to prove universally popular.

- **The European Council introduces the possibility to increase adjustments in favour of Rural Development up to 15%, which is compatible with the EP position.**

- **The significant opening up of the possibility to 'reverse modulate' monies from Pillar 2 to Pillar 1 does, however, deviate considerably from EP's negotiating mandate.**

5.4. Pillar 2

5.4.1. Principles for distribution of rural development support

The European Council's main departure from the Commission's proposals on the distribution of rural development support comes in the form of a series of **discreet allocations** made to 16 different Member States, justified on the basis of them "*facing particular structural challenges in their agricultural sector*" or from them having "*invested heavily in an effective delivery framework for Pillar 2 expenditure*" ([100]). In all, these

[99] The 12 Member States are: Bulgaria, Estonia, Finland, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United Kingdom.

[100] See §2.3 as well as **Table 16** for the list of discreet allocations included in Point 72 of the European Council Conclusions.

discreet allocations sum to over EUR 5.5 billion, or around 6.5% of the overall rural development budget.

It is only after these discreet allocations have been subtracted from the overall EAFRD budget that the rest of the money is allocated using a **distribution key** which the European Council Conclusions confirm as being based on "**objective criteria and past performance**" (although the methodology for applying these criteria is not specified). Therefore, the **discreet allocations effectively eat into the overall budget**, diminishing the amount that is then available to those Member States who did not secure the special funding as part of what evidently is a pragmatic, political compromise, involving wider budgetary tradeoffs. By looking at the identities of some of the biggest beneficiaries of the discreet allocations, it is clear that they include those Member States who either stood to lose most from the Pillar 1 external convergence or the move away from a wholly historic basis of allocating rural development funding. Indeed, it is worth recalling that a **similar set of discreet rural development allocations were agreed in December 2005**, as part of the European Council adopted position on the current Financial Perspective (2007–2013), albeit on a slightly smaller scale ([101]), as shown below in **Table 16**.

Table 16: Discreet Allocations from the Rural Development Budget

Discreet Allocations from the Rural Development Budget		
	European Council 19 Dec 2005 (EUR million – 2004 constant prices)	**European Council 8 Feb 2013 (EUR million – 2011 constant prices)**
Belgium		80
Estonia		50
Ireland	500	100
Spain		500
France	100	1 000
Italy	500	1 500
Cyprus		7
Latvia		67
Lithuania		100
Luxemburg	20	20
Malta		32
Austria	1 350	700
Portugal	320	500
Slovenia		150
Finland	460	600
Sweden	820	150
Total (proportion of overall RD budget)	4 070 (5.8%)	5 536 (6.5%)

Source: Elaboration by EP Policy Department B based on European Council Conclusions from 19 December 2005 and 8 February 2013. Please note that the figures above are shown as they were listed in the respective European Council Conclusions. Since the two columns are expressed on a different constant prices basis, they are not directly comparable.

[101] An aggregate total of EUR 4.07 billion (some 5.8% of the overall rural development budget) was included as discrete Member State allocations in Point 63 of the European Council's note of 19 December 2005 on the Financial Perspective 2007–2013.

As **Table 1** above indicates, over 15 weeks after the February European Council, the Commission finally presented the breakdown of all Member State rural development allocations which had been divulged only on a delegation-by-delegation basis in order to secure the agreement among Heads of State and Government. However, until the Commission provides **full disclosure** on the **precise formula** it used to allocate the remainder of the rural development budget (aside from the discreet allocations), speculation will continue to persist. The best guide to such speculation still comes in the form of the Commission's Impact Assessment, released alongside its draft legislative texts in October 2011 ([102]). This Impact Assessment refers to the following three possible ways of **smoothing out the impact of the redistribution** involved in moving towards a **more objective allocation** of funds:

- retaining the current distribution key as the basis of half the total envelope, and only applying the new objective-based key to the other half;
- applying a 'tunnel' to avoid any Member State ending up with less than 90% and not more than 110% of its current envelope;
- providing for a transitional period gradually moving towards the new distribution ([103]).

The Impact Assessment also suggests what it describes as **"ad hoc" solutions** would be required **for small Member States**, which might explain why countries such as Malta seem to come out well from the comparison in Table 13 and also below in Table 17. Even after the discreet allocations have been factored in though, it is clear that **certain Member States, especially France, seem to have done particularly well** from whatever 'objective' criteria the Commission has deployed in the allocations agreed at the European Council on 7/8 February 2013.

The EP's negotiating mandate carries forward the insistence of the EP rapporteur that the Member State breakdowns for rural development funding were of too great a strategic importance to be decided by an implementing act, suggesting instead that they form an annex table in the Basic Act. In the absence of a compelling argument for a definitive alternative distribution key, the rapporteur's suggestion for including as a placeholder the existing historic allocations was left untouched by both the COMAGRI and Plenary votes and therefore adopted into the negotiating mandate. Given the expressed intention of the European Parliament to uphold what it perceives as its responsibility as co-legislator in this respect, it will be interesting to see if what has hitherto been a bipartisan Commission-Council role in determining the breakdowns of rural development funding can continue now that the Lisbon Treaty has entered into force.

Table 17 below compares how the **Member State allocations and percentage shares** of the rural development budget differ between the EP negotiating mandate and the deal agreed in European Council on 8 February 2013. Given how closely the EP proportionate allocations mirror the historic situation of the current budgetary period, it comes as no surprise to see a similar categorisation of winners and losers as shown previously in **Table 13.**

[102] Commission Staff Working Paper, *Impact Assessment: Common Agricultural Policy towards 2020*, Annex 4, Brussels, 20.10.2011, SEC(2011) 1153 final/2 (http://ec.europa.eu/agriculture/policy-perspectives/impact-assessment/cap-towards-2020/report/annex4_en.pdf).

[103] *Ibid*. p.29.

Table 17: Comparison of the Pillar 2 Member State Allocations

Comparison of the Pillar 2 Member State Allocations					
	European Council 8 Feb		European Parliament		European Council / European Parliament
	2014-2020 allocations (EUR million – 2011 constant prices)	2014-2020 percentage share (%)	2014-2020 allocations (EUR million - 2011 constant prices)	2014-2020 percentage share (%)	Var. in 2014-2020 allocations (%)
Belgium	490.3	0.59	459.3	0.51	6.7
Bulgaria	2 078.6	2.51	2 489.6	2.77	-16.5
Czech Republic	1 929.4	2.33	2 692.4	3.00	-28.3
Denmark	559.4	0.68	544.5	0.61	2.7
Germany	7 303.8	8.84	8 434.8	9.40	-13.4
Estonia	645.1	0.78	681.9	0.76	-5.4
Ireland	1 946.2	2.35	2 350.4	2.62	-17.2
Greece	3 729.1	4.51	3 705.5	4.13	0.6
Spain	7 368.3	8.91	7 587.9	8.45	-2.9
France	8 804.6	10.65	7 146.3	7.96	23.2
Italy	9 266.9	11.21	8 466.7	9.43	9.5
Cyprus	117.5	0.14	155.1	0.17	-24.2
Latvia	861.1	1.04	993.5	1.11	-13.3
Lithuania	1 433.5	1.73	1 663.8	1.85	-13.8
Luxemburg	89.4	0.11	89.5	0.10	-0.1
Hungary	3 071.0	3.72	3 637.1	4.05	-15.6
Malta	87.9	0.11	73.2	0.08	20.1
Netherlands	539.8	0.65	558.9	0.62	-3.4
Austria	3 498.4	4.23	3 793.0	4.23	-7.8
Poland	9 724.2	11.76	12 624.9	14.07	-23.0
Portugal	3 605.6	4.36	3 824.5	4.26	-5.7
Romania	7 124.1	8.62	8 930.7	9.95	-20.2
Slovenia	744.4	0.90	863.1	0.96	-13.8
Slovakia	1 680.0	2.03	1 881.5	2.10	-10.7
Finland	2 114.6	2.56	2 030.5	2.26	4.1
Sweden	1 550.9	1.88	1 814.8	2.02	-14.5
United Kingdom	2 293.4	2.77	2 254.8	2.51	1.7
EU-27	82 657.4	100.00	89 748.2	100.00	-7.9

Source: Elaboration by EP Policy Department B based on European Commission data for the EU-27 and the EP negotiating mandate for the Rural Development regulation.

5.4.2. Co-financing rates for rural development support

The agreement reached by the European Council is also noteworthy for the **increased flexibility** afforded to Member Stares in **lowering the minimum requirements to match fund the core EAFRD allocations with national co-financing**. While the negotiating mandate adopted by the EP made some small revisions to lower the national co-financing obligations in a couple of selected cases, this contrasts sharply with the significant strides taken in this regard by the European Council. **Table 18** below sets out the respective institutional positions for rural development co-financing. It should be noted that when references to EAFRD contribution rates are describing maximums, there is nothing preventing a Member State or region incorporating a higher level of national co-financing into its rural development programme. However, it is probably not unreasonable to assume that a lower overall level of rural development spending is likely to result from moves to reduce the extent of obligations to provide national co-financing, although in some instances such flexibility will no doubt be important in allowing the EAFRD monies to be drawn down at all.

Table 18: Comparison of rural development co-financing rates

Comparison of rural development co-financing rates		
Commission proposal ([104])	**European Parliament ([105])**	**European Council 8 Feb ([106])**
Minimum EAFRD contribution rate of 20%	Minimum EAFRD contribution rate of 20%	Minimum EAFRD contribution rate of 20%
	Maximum EAFRD contribution rates	
Default of 50% of the eligible public expenditure in other regions	Default of 50% of the eligible public expenditure in other regions	Default of 53% of the eligible public expenditure in other regions
85% in the less developed regions, outermost regions and smaller Aegean islands	85% in the less developed regions, outermost regions and smaller Aegean islands	75% in the less developed regions, outermost regions and smaller Aegean islands; 75% 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; 63% of the eligible public expenditure for the transition regions other than those referred to above
80% preferential measure rate for knowledge transfer, setting up of producer groups, cooperation and business start up for young farmers *	80% preferential measure rate for knowledge transfer, setting up of producer groups, cooperation and business start up for young farmers *	Other preferential measure rates to be determined
	55 % for the agri-environment-climate measures *	75% for operations contributing to the objectives of environment and climate change mitigation and adaptation
100% for amounts transferred from the application of capping contributing to innovation	95% for amounts transferred from Pillar 1 to Pillar 2 under flexibility between Pillars provision for those Member States currently in receipt of financial assistance	100% for amounts transferred from Pillar 1 to Pillar 2 under flexibility between Pillars provision
		Higher co-financing rate (by 10 percentage points) can be applied when a Member State is in receipt of financial assistance, subject to reassessment in 2016

* which can be increased to 90% for the programmes of less developed, outermost regions and smaller Aegean islands

104 European Commission, *Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)*, COM(2011) 627 final/2, 19 October 2011, Article 65.

105 *European Parliament decision of 13 March 2013 on the opening of, and mandate for, interinstitutional negotiations on the proposal for a regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (COM (2011) 0627 final/3 – C7-0340/2011, COM (2012) 0553 – C7-0313/2012 – 2011/0282(COD) – 2013/2530(RSP))*, Amendment 119 (http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0086+0+DOC+XML+V0//EN&language=EN).

106 Conclusions of European Council, 7/8 February 2013, point 73.

Included in the European Council Conclusions on rural development co-financing is a reference that, depending on how it is read, could serve as something of a provocation to the European Parliament. As discussed above, all of the reform elements analysed in this section of the note are explicitly contained in the package of CAP reform texts subject to the *'Ordinary Legislative Procedure'*. Therefore, when the Summit Conclusions follows up a long, detailed list of specifications by rather dismissively noting that "*other maximum EAFRD contribution rates to specific measures will be set in the Regulation on support for rural development*" ([107]), it does tends to fuel concerns within the European Parliament that an attempt is being made to erode its co-decision powers.

- **The Member State breakdown of rural development funding has been skewed in favour of a number of Member States who have been afforded varying sizes of discreet allocations, the affects of which can be seen in a comparison of Pillar 2 funding shares.**
- **The European Council Conclusions have also lowered the minimum requirements to match fund the core EAFRD allocations with national co-financing.**

5.5. A new reserve for crises in the agricultural sector

The original Commission proposal for the next seven-year funding period had envisaged an additional EUR 3.5 billion for crisis management measures in agriculture to be funded outside the MFF. The Conclusions adopted by the European Council of 7/8 February 2013, however, made clear its intention that this reserve be included within the MFF, under Heading 2, with a reduced allocation of **EUR 2 800 million over the seven years**. The European Council Conclusions go on to specify that "*the reserve will be established by applying at the beginning of each year a reduction to direct payments with the financial discipline mechanism*". It continues by noting that "*the amount of the reserve will be entered directly in the annual budget and if not made available for crisis measures will be reimbursed as direct payments*" ([108]).

The practicalities of this change implies that the market measure operations will automatically lead to reductions in Pillar 1 direct payments, through the application of 'financial discipline' and the linear top-slicing of national ceilings this involves. As commentators have already suggested, this could throw up some interesting political conundrums. For example, would EU farm ministers collectively sanction the use of butter intervention in the event of a market slump, if this could only be paid for in the future by reductions in direct payments, which by their very nature would impact all farmers, both within and outside the dairy sector? ([109]) Moreover, the indirect consequences of compulsory cuts on direct payments every year could potentially be to encourage Member States to transfer more resources from Pillar 2 to make up the difference. Furthermore,

[107] Conclusions of European Council, 7/8 February 2013, point 73.
[108] *Ibid*. point 75.
[109] This question was posed in Agra Europe, *Analysis: 2014–2020 budget deal ushers in new age of CAP austerity*, No. 2552, 12 February 2013, pp. 5–6, although conceptually the issue emerges as a result of the existing sub-heading covering expenditure on both direct payments and market measures.

should the **franchise** exemption be applied to the Financial Discipline mechanism used under the Council's proposals to pay for the crisis measures, it **could create an incentive** for some Member States **to call for the activation of the crisis reserve**, secure in the knowledge that a large proportion of their farmers would not be affected by a reduction in their direct payments.

The combined effect of the European Council's changes to market measures as part of the MFF will, therefore, see the significant reduction in market-related expenditure (highlighted in **Section §4.2**) compounded by the internalisation of the crisis reserve (in the absence of the annual EUR 300 million margin in the existing budget for market interventions), meaning that financial discipline is likely to become a very familiar part of the post-2013 EU agricultural landscape.

In contrast, the position adopted into the EP negotiating mandate largely accepted the original Commission proposal on the *'crisis reserve'*, with the amendment on Article 159 of the Single CMO Regulation merely introducing some additional flexibility in its application.

- **The European Council's decision to internalise the crisis reserve back into the MFF Heading 2 ceiling means that financial discipline is likely to become a very familiar part of the post-2013 EU agricultural landscape.**

6. SUMMARY OF CONCLUSIONS

- **The Treaty of Lisbon consolidated the 'Multiannual Financial Framework' as well as developing its legislative rules inside the TFEU.**

- **The «MFF package 2014–2020» to be negotiated by the EU legislative bodies (European Parliament and Council) includes: 1) Regulation laying down the MFF; 2) Decision on the system of EU own resources; 3) four Regulations laying down implementing measures for the different own resources; and 4) Interinstitutional Agreement (IIA) on cooperation in budgetary matters and on sound financial management.**

- **The European Council Agreement of 7–8 February 2013 could be considered merely a political compromise among the EU Heads of State and governments. It constitutes a negotiating mandate for the General Affairs Council in order to take forward discussions with the European Parliament on the «MFF package».**

- **The financial trilateral meetings ('trilogues') started in May. Legal proposals on the 'MFF package' will be submitted to the EP in function of the development of prior negotiations between the legislative bodies (Council and EP) and the Commission.**

- **In contrast with the European Parliament's approach, the Council does not clearly differentiate between the financial negotiations and the CAP reform process. The 'Financial Negotiating Box' created by Council is taken up again by the European Council. If Council finally includes agricultural provisions inside the 'MFF regulation' proposal, the co-decision process could be undermined.**

- **The timings of the MFF negotiation and the CAP reform process are overlapping and become mutually interdependent. Even in the most optimistic scenario, the procedures governing the financial and agricultural negotiations could not formally conclude before July 2013.**

- **If there is no financial agreement before summer 2013, the alternative would be in autumn. Under either scenario, 1 January 2015 seems to be the earliest possible date for the entry into force of the fully-fledged new CAP.**

- **If there is no financial agreement before the end of 2013, the 2013 ceilings would remain in 2014, plus a 2% inflation adjustment.**

- **Comparing the European Council Conclusions compared to the EP Resolutions demonstrates important divergences between respective positions of the Institutions on the future MFF.**

- **The 7–8 February 2013 European Council set total allocations for the MFF 2014–2020 for 28 Member States at a lower level than for the previous MFF for 27 Member States (around EUR 34 billion less, i.e. -3.5% for both commitment and payment appropriations).**

- **This is the first time in the EU's history that an MFF is set at a lower level than its predecessor.**
- **In terms of relative shares in the MFF, Headings 1 and 2 have followed diverging trends between 2007 and 2020: while the first has increased by nearly 6 percentage points, the second has seen its share reduced by more than 8 percentage points.**
- **EUR 373.2 billion is allocated to Heading 2, which includes the Common Agricultural Policy, Common Fisheries Policy and LIFE+ for the period 2014–2020, compared to EUR 420.7 billion in the period 2007–2013.**
- **EUR 50.5 billion is the level of CAP commitments in 2020, compared to the 2013 level of EUR 59.6 billion, representing a reduction of -15.1%.**
- **EUR 277.8 billion is allocated to direct payments and market measures in Pillar 1, while EUR 84.9 billion is assigned to rural development expenditure in Pillar 2.**
- **EUR 37.6 billion is allocated to direct payments and market measures in 2020, compared to EUR 43.2 billion in 2013, representing a reduction of -13%.**
- **EUR 11.4 billion is allocated to rural development in 2020, compared to EUR 13.9 billion in 2013, representing a reduction of -18%.**
- **The European Council's position on the external convergence of Pillar 1 direct payments across Member States includes a very similar safeguard provision to that included in the EP negotiating mandate, which ensures the three Baltic States attain a slightly boosted minimum level of per hectare payment.**
- **The European Council's decision to make the capping of support to large farms wholly voluntary for Member States represents one of the more significant divergences of opinion with the EP.**
- **The European Council introduces the possibility to increase adjustments in favour of Rural Development up to 15%, which is compatible with the EP position.**
- **The significant opening up of the possibility to 'reverse modulate' monies from Pillar 2 to Pillar 1 does, however, deviate considerably from EP's negotiating mandate.**
- **The Member State breakdown of rural development funding has been skewed in favour of a number of Member States who have been afforded varying sizes of discreet allocations, the affects of which can be seen in a comparison of Pillar 2 funding shares.**
- **The European Council Conclusions have also lowered the minimum requirements to match fund the core EAFRD allocations with national co-financing.**
- **The European Council's decision to internalise the crisis reserve back into the MFF Heading 2 ceiling means that financial discipline is likely to become a very familiar part of the post-2013 EU agricultural landscape.**

ANNEX 1: ADJUSTED OVERALL FIGURES BY HEADING

MFF 2007-2013 AND PROPOSALS FOR 2014-2020										EUR million 2011 prices
	2007-2013		2014-2020 COM**		2014-2020 European Council 08-02-2013		2014-2020 European Council versus 2007-2013		2014-2020 European Council versus COM	
Commitment appropriations	(a)	%	(d)	%	(e)	%	(e)-(a)	(e)/(a)	(e)-(d)	(e)/(d)
1a. Competitiveness for Growth and Jobs	91 495	*9%*	164 317	*16%*	125 614	*13%*	34 119	37%	-38 703	-24%
1b. Economic, Social and Territorial Cohesion	354 815	*36%*	338 994	*33%*	325 149	*34%*	-29 666	-8%	-13 845	-4%
2. Sustainable Growth: Natural Resources	420 682	*42%*	389 972	*38%*	373 179	*39%*	-47 503	-11%	-16 793	-4%
of which market related exp and direct payments	*336 686*	*34%*	*286 551*	*28%*	*277 851*	*29%*	*-58 835*	*-17%*	*-8 700*	*-3%*
3. Security and citizenship	12 366	*1%*	18 809	*2%*	15 686	*2%*	3 320	27%	-3 123	-17%
4. Global Europe	56 817	*6%*	70 000	*7%*	58 704	*6%*	1 887	3%	-11 296	-16%
5. Administration***	57 082	*6%*	63 165	*6%*	61 629	*7%*	4 547	8%	-1 536	-2%
6. Compensations	920	*0%*	27	*0%*	27	*0%*	-893		0	
TOTAL COMMITMENT APPROPRIATIONS	994 176	*100%*	1 045 284	*101%*	959 988	*101%*	-34 188	-3%	-85 296	-8%
as a percentage of GNI	*1.12%*		*1.09%*		*1.00%*					
TOTAL COMMITMENTS excl Croatia****	994 176		1 031 543		946 247		-47 929	-5%		
as a percentage of GNI	*1.12%*		*1.08%*		*0.99%*					
Payment appropriations										
TOTAL PAYMENT APPROPRIATIONS	943 351		999 647		908 400		-34 951	-4%	-91 247	-9%
as a percentage of GNI	*1.06%*		*1.04%*		*0.95%*					
TOTAL PAYMENTS excl Croatia****	943 351		989 691		898 444		-44 907	-5%		
as a percentage of GNI	*1.06%*		*1.04%*		*0.94%*					
Outside the MFF										
TOTAL Flexibility Instruments, of which:	14 180		15 953		9 810		-4 370	-31%	-6 143	-39%
- Emergency Aid Reserve	2 032		2 450		1 960		-72	-4%	-490	-20%
- Globalisation Adjustment Fund	3 573		3 003		1 050		-2 523	-71%	-1 953	-65%
- EU Solidarity Fund	7 146		7 000		3 500		-3 646	-51%	-3 500	-50%
- Flexibility Instrument	1 429		3 500		3 300		1 871	131%	-200	-6%
P.M.: agricultural reserve (included in H2)			*3 500*		*2 800*		*2 800*		*-700*	*-20%*
European Development Fund	26 930		30 319		26 984		54	0%	-3 335	-11%

2007-2013 EU27 GNI derived from COM(2012)184 of 20.4.2012. 2014-2020 EU28 GNI equals €96.044bn (MFF fiche 1 rev1). Croatia's share in the population and GNI of EU27 amounts to 0,62% according to (COM(2012)388 of 6.7.2012).

** For comparison with 2007-2013 €40.249m switched from H1b to H1a for CEF; for comparison with European Council €2.707m for ITER and €5.841 for GMES added to H1a and €3.500m for agri reserve added to H2.

*** For comparison with COM/European Council proposals, €574m for staff pension contributions added to 2007-2013 figures and 2014-2020 figures based on prolongation of 2013 ceilings.

**** For comparison with 2007-2013, allocations for Croatia as per Commission's proposal (€13.741m commitments/€9.956 payments) are deducted from the COM and European Council proposals for 2014-2020.

25 February 2013

Source: European Parliament Services, Directorate-General for Internal Policies of the Union.

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