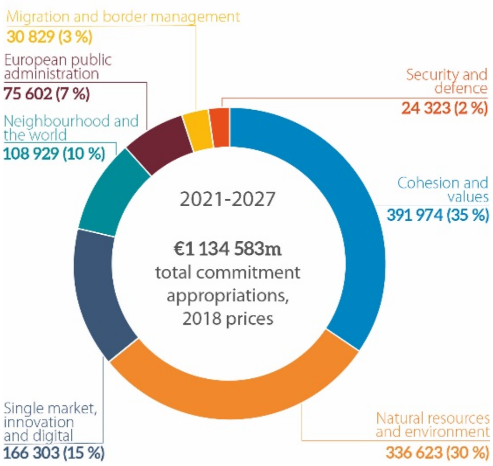
2021-2027 multiannual financial framework and new own resources

Analysis of the Commission's proposal



IN-DEPTH ANALYSIS

2021-2027 MFF

EPRS | European Parliamentary Research Service

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Members' Research Service

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This briefing is a follow-up to the EPRS briefing Post-2020 MFF and own resources – Ahead of the Commission's proposal and the briefing Multiannual Financial Framework 2021-2027: Commission proposal: Initial comparison with the current MFF.

The analysis presented in the paper is partly based on unpublished, supplementary and updated technical data on the proposed MFF provided by the Secretariat of the Committee on Budgets of the European Parliament.

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Executive summary

This in-depth analysis is a follow-up to the EPRS briefing 'Post-2020 MFF and own resources – Ahead of the Commission's proposal', published in April 2018, shortly before the Commission published its proposals for a multiannual financial framework (MFF) for the 2021-2027 period and a new system of own resources. It provides an assessment of some of the proposals' most important elements, as well as an overview of how they respond to a series of issues raised by the European Parliament.

For the expenditure side of the EU budget, the European Commission has proposed an MFF for 2021-2027 totalling €1 134 583 million in commitments, and €1 104 805 million in payments (2018 prices). Proposed commitments are equivalent to 1.11 %, and proposed payments to 1.08 %, of the EU-27's GNI. Superficially, this amounts to an increase on the 2014-2020 MFF, which is an estimated 1.02 % of EU-28 GNI (commitments), but a number of factors make comparisons difficult. To begin with, the Commission's proposed new MFF would incorporate the European Development Fund for the first time. Additionally, the United Kingdom's expected withdrawal from the EU means that the next MFF will be for a Union of 27 countries. A smaller EU means a smaller GNI, affecting how the EU budget measures up in relative terms. Depending on one's perspective, the proposal can be seen as either an increase or a decrease on the current MFF. What is clear, however, is that the proposal is significantly less than the 1.3 % of GNI called for by Parliament.

The proposal for the future MFF also differs structurally from the current version. The headings chosen by the Commission show a move away from the current nomenclature based on the Europe 2020 strategy, such as 'smart and inclusive growth', towards other EU priorities, such as the digital economy, migration, border management and defence. This shift in priorities can be seen in the choices made to increase or decrease funding: increases are most visible in the areas of research and innovation, support for investment, migration and border management, and security and defence. Cuts have mainly fallen on cohesion policy and the EU's Common Agricultural Policy. Instruments outside the MFF have generally been boosted and the rules adapted to afford the EU more flexibility within its seven-year financial plan.

On the revenue side of the EU budget, the Commission has taken the political opportunity presented by Brexit to propose a gradual phasing-out of most of the correction mechanisms that discount certain Member States' contributions to the EU budget. The proposal for a new own resources decision also takes up the recommendation of the High-Level Group on Own Resources to introduce new own resources explicitly linked to EU policies.

A comparison of the Commission's proposals with the EP's position shows that they broadly coincide when it comes to the areas in need of additional funding, to enhancing the flexibility of the MFF (for example, by creating a Union Reserve and increasing the amounts budgeted for special instruments), to setting up a budgetary mechanism to uphold the rule of law, to budgetisation of the EDF, and to reforming the EU's system of own resources. However, the proposal differs from Parliament's position as far as the overall size of the next MFF, and proposed cuts to cohesion and agricutural policy are concerned. Unlike the EP, the Council has yet to express a common position on the future MFF and own resources. National governments have expressed a range of views.

The MFF will be adopted by Council after the Parliament has given its consent. The new own resources decision will also be adopted by Council, after consulting the EP. However, Parliament has made clear that it sees the two files as a package, and has insisted on linking consent to the MFF with progress on reform of own resources. To this end, the EP has already taken steps to organise itself internally, in order to coordinate its interaction with Council and the Commission.

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1. Commission proposal assessed against European Parliament priorities

Initially scheduled for publication by 31 December 2017, the Commission's proposals for a new multiannual financial framework (MFF) for the 2021-2027 period, and for a new system of own resources (OR), were finally published on 2 May 2018. With the United Kingdom's withdrawal, the EU is losing a major net contributor of revenue. New priorities such as security and defence, migration, and support for refugees have also increased pressure on the expenditure side of the EU's long-term financial plan.

The Commission's proposals (Annex 1) should be assessed against these and other challenges, but also with an eye to the priorities of the Parliament and the Council. Therefore, we have compiled a list of MFF- and OR-related issues, and compared how they align with the European Parliament's objectives, as expressed in resolutions adopted in plenary. Where possible and relevant, we have added a sample of Member State governments' views, as expressed in position papers and statements to the media, to give an indication of the position of the Council. The result presented in Annex 2 is not exhaustive, but gives a representative overview of the issues at stake, and is designed to be updated in future briefings.

The overview in Annex 2 shows, for example, that at the outset of the negotiations the Commission's proposal broadly coincides with the Parliament's position on enhancing the flexibility of the MFF (particularly the proposals to create a Union Reserve and to increase the amounts budgeted for special instruments), on setting up a budgetary mechanism to uphold the rule of law, on budgetisation of the EDF, and on reforming the EU's system of own resources. However, the proposal differs from Parliament's position as far as the overall size of the next MFF is concerned, and the choices made in terms of increases and cuts. The Parliament has already said that it strongly opposes cuts to agriculture and cohesion spending.

Below we discuss key aspects of the Commission's proposal in detail. First, we show how the proposal compares with the current MFF in terms of its size. Second, we analyse the new structure of the MFF's headings, paying special attention to their share in the total MFF, and to changes proposed to individual programmes and to the instruments outside the MFF. We then discuss what the Commission's proposal would mean for the own resources system. Finally, we present an updated timeline for the negotiations and explain how the Parliament is organising itself internally to defend its position during this exceptional legislative and political period.

METHODOLOGICAL NOTE

The comparisons in this document are based on figures provided by the Secretariat of the Committee on Budgets of the European Parliament and included in Annex 3.

All comparisons between 2014-2020 figures and proposed 2021-2027 figures are in constant prices. To allow comparison with the 2021-2027 proposals for EU-27, which include the EDF, estimates of allocations to the UK are deducted from, and the EDF added to, the current MFF.

Constant prices differ from current prices in that they apply a 2 % annual deflator (as provided for in Article 6 of the current MFF regulation and proposed in Article 5(2) of the 2021-2027 MFF regulation) to account for the effect of inflation.

2. Size and structure of the proposed MFF

The European Commission has proposed a 2021-2027 MFF totalling €1 134 583 million in commitments and €1 104 805 million in payments (2018 prices). One way of assessing the proposal is to compare it with the current MFF, but comparisons in terms of the overall size and structure, including the composition of headings and individual programmes, are far from simple, should be treated with caution, and based on clearly specified assumptions.[1] It is important to note that the proposal is unique as it involves:

- the financial consequences of the UK's withdrawal from the EU, both on the revenue and expenditure side of the budget;
- a smaller EU GNI, also resulting from the UK's departure;
- substantial changes to the MFF structure in terms of headings, the list of programmes and funds, and their distribution between headings;
- the integration (budgetisation) of the European Development Fund (EDF), currently outside the MFF, into the EU budget.

When comparing the 2021-2027 MFF with the 2014-2020 MFF, it is also important to specify whether the figures are presented in current or constant (inflation-adjusted) prices, and whether we are talking about commitment or payment appropriations.

In its initial reaction to the proposal, the EP's Committee on Budgets (BUDG) called on the Commission to provide a fuller and more easily comparable set of figures, showing the differences between the current and proposed new MFF more clearly.[2] This criticism was echoed by a number of think-tanks.[3]

A set of comparative figures prepared by the BUDG secretariat can be found in Annex 3. The annex, with figures in current and constant prices, includes the calculation of a 'virtual' 2014-2020 MFF without UK participation, as well as other notes explaining the methodology.

2.1. Overall size

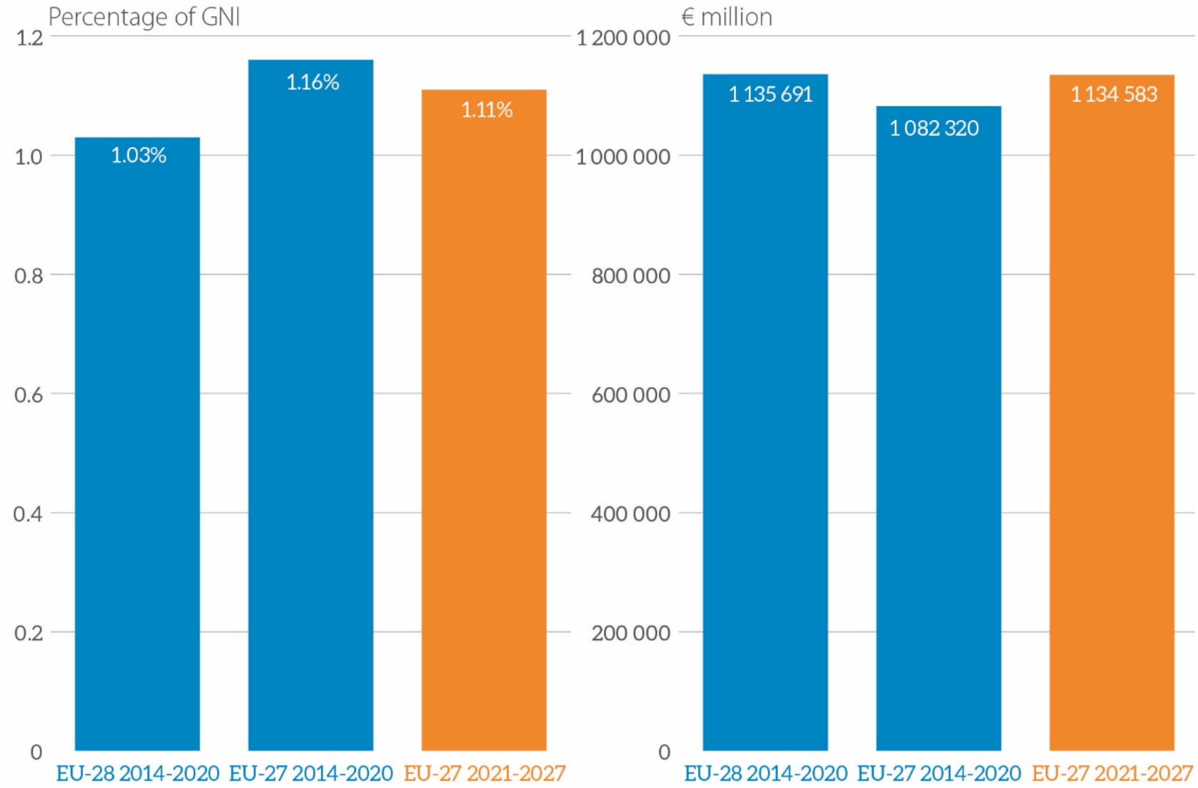
The proposed commitments are equivalent to 1.11 %, and the proposed payments to 1.08 % of the EU-27's GNI. Proposed total commitments can be seen as greater or smaller than the current MFF, depending on the perspective chosen (Figure 1):

[1] The issue is not new. During negotiations on the proposal for the current MFF, some think-tanks pointed to similar difficulties in comparing the previous and post-2013 EU multiannual plans. See for example: Commission proposal for the EU budget post-2013: the good, the bad and the ugly, OpenEurope, June 2011; A. Matthews, Commission publishes MFF budget proposals, The Irish Economy, 30 June 2011.

[2] This issue was discussed in the BUDG Committee meeting of 3 May 2018. Parliament formally expressed its concern about the issue in a 30 May 2018 resolution on the 2021-2027 multiannual financial framework and own resources.

[3] See for example: G. Claeys, Z. Darvas, The Commission's proposal for the next MFF: A glass half-full, Bruegel, 25 May 2018. For the same reason, comparisons presented in an initial EPRS analysis of the Commission's proposal did not deduct UK spending from the current MFF for the purposes of comparison – see: A. Dobreva, Multiannual Financial Framework 2021-2027: Commission proposal. Initial comparison with the current MFF, EPRS, May 2018.

Figure 1 – Proposal for the 2021-2027 MFF compared with the current MFF (commitments, 2018 prices, including the EDF).



Source: EPRS, calculations based on data from the Secretariat of the Committee on Budgets, European Parliament, June 2018 (Annex 3a).

- compared in real terms with the current MFF (EU-28), it amounts to a slight **decrease**.
- compared in real terms with the 'virtual' current MFF (EU-27) it amounts to an **increase** of 5 % (€52.3 billion).
- compared in relative terms with actual current EU GNI, it represents an **increase** from 1.03 % of EU-28 GNI to 1.11 % of EU-27 GNI.
- compared in relative terms with the current EU-27 GNI (i.e. with UK GNI subtracted), to match the 'virtual' current MFF of EU-27, it represents a **decrease** from 1.16 % to 1.11 % of the EU-27 GNI.

Some think-tanks have described the difference between the current and proposed new MFFs as 'slight' in absolute terms, or 'pretty marginal' as a share of GNI.[4] The proposal is well short of the European Parliament's call for 1.3 % of EU-27 GNI, which it maintains is necessary to fund new priorities properly whilst protecting existing priorities. As far as the Council is concerned, some Member States strongly oppose any increase in the size of the EU budget and insist that the EU should 'do more with less', while others would countenance a greater MFF, on certain conditions.

2.2. New structure

The MFF structure is more than just a way of classifying and presenting the EU's spending plan. First, it is a political statement of EU priorities. The titles chosen by the Commission for different headings show a move away from the current nomenclature based on the objectives of the Europe 2020

[4] See: J. Haas, E. Rubio, P. Schneemelcher, The MFF proposal: what's new, what's old, what's next? Jacques Delors Institute, 21 May 2018; I. Begg, What to know about the EU's new budget, Chatham House, 3 May 2018; J. Núñez Ferrer, D. Gros, The Multiannual Financial Framework, where continuity is the radical response, CEPS, 4 May 2018.

strategy, such as 'smart and inclusive growth', towards other EU priorities, such as the digital economy, migration, border management and defence (see Table 1).

Second, the distribution of spending programmes between headings has important implications for the flexibility of the MFF, the scope for re-allocating funds during the course of budget implementation, and, ultimately, for the efficiency of the budget.[5] In general, the flexibility is greater within headings than between headings. Transfers between headings that exceed the margins or the scope of special instruments would require revision of the MFF regulation, whereas transfers within headings can take place through the budgetary procedure, with the approval of the two arms of the budgetary authority.

The structure proposed by the Commission differs significantly from the current MFF. It increases the number of headings from five to seven (Table 1), reduces the number of programmes from 58 to 37, and shifts some programmes between headings. Within the headings, the programmes are grouped into 17 'policy clusters', designed to show how the programmes contribute to individual policy objectives. According to the Commission, the new structure makes the MFF clearer and aligns it more closely with the EU's priorities, helps to bring fragmented funding resources together, and streamlines the use of financial instruments. Furthermore, the Commission breaks with current practice by reproducing the MFF structure, including the policy clusters, when presenting proposals for annual budgets as of 2021.[6]

Table 1 – Overall structure of 2014-2020 and 2021-2027 MFFs and share of individual headings.

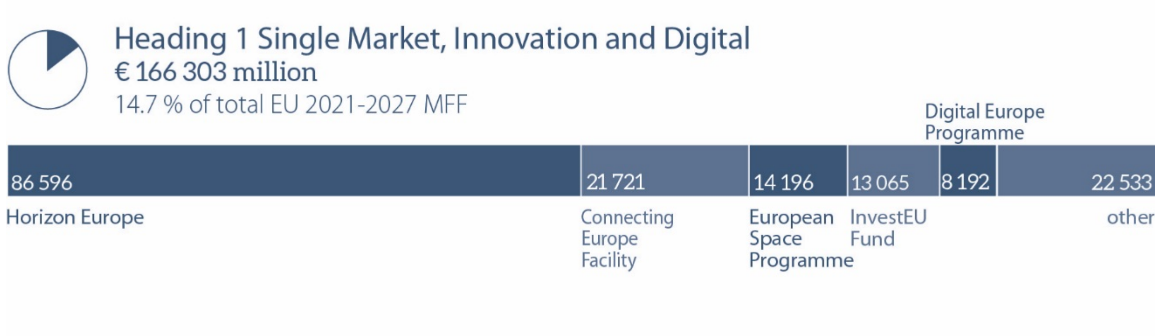
2014-2020 MFF	% of total	2021-2027 MFF	% of total
1. Smart and Inclusive Growth	47.2 %	1. Single market, innovation and digital	14.7 %
1a: Competitiveness for growth and jobs	13 %	2. Cohesion and values	34.5 %
1b: Economic, social and territorial cohesion	34.2 %	3. Natural resources and environment	29.7 %
2. Sustainable growth: Natural resources	38.6 %	4. Migration and border management	2.7 %
3. Security and citizenship	1.6 %	5. Security and defence	2.1 %
4. Global Europe	6.1 %	6. Neighbourhood and the world	9.6 %
5. Administration	6.4 %	7. European public administration	6.7 %
Compensations	< 1 %		

Source: EPRS, 2014-2020 MFF based on European Commission data.

5 Changes in the current structure of the MFF are seen as a chance to enhance the MFF's flexibility. See: The next multiannual financial framework (MFF) and its flexibility, Policy Department for Budgetary Affairs, European Parliament, November 2017.

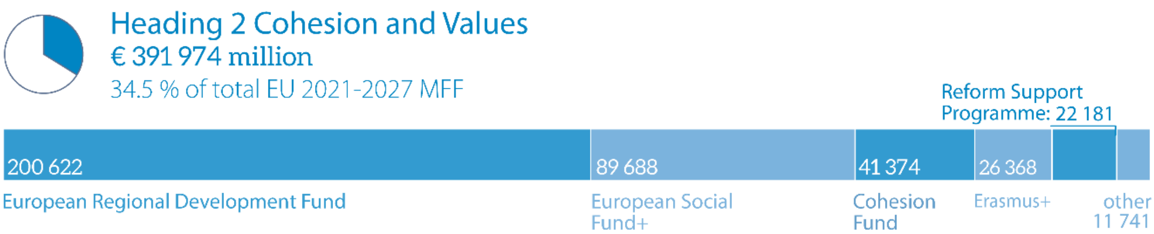
6 Currently, the EU's annual budgets are presented using a structure that differs from that used for the MFF. For more details see: European Union public finance, 5th edition, European Commission, 2014.

3. Headings in detail



Heading 1 represents 14.7 % of the MFF proposal. It covers four policy areas: (1) research and innovation, (2) European strategic investments, (3) single market and (4) space. Horizon Europe funding (currently Horizon 2020) would increase by 29 % and be, by far, the biggest programme under heading 1, followed by the European Space Programme, with a budget of €14.2 billion (+26 %).[7] Several other programmes would increase significantly in comparison with the current period, for example the International Thermonuclear Experimental Reactor (ITER) (+81 %), the digital strand of the Connecting Europe Facility (+166 %), and the customs programme (+57 %). The margin provided for within heading 1 is relatively large, and amounts to €10.8 billion, or 6.5 % of the heading allocation.

New instruments under this heading include the digital Europe programme and the InvestEU programme. The former, allocated €8.2 billion, would support investments in high-performance computing and data, artificial intelligence, cybersecurity, advanced digital skills, and large-scale deployment of digital technologies. The latter is an investment instrument that brings together the European Fund for Strategic Investments and several many other existing equity, guarantee and risk-sharing instruments. The Commission estimates that the programme will provide a guarantee of €38 billion, which would mobilise more than €650 billion in additional investment across Europe.



Heading 2 amounts to 34.5 % of the 2021-2027 MFF and is allocated the largest amount of funding in the proposal. It has a margin of 1 %. The Commission included programmes and funds under this heading contributing to three policy clusters: (5) regional development and cohesion, (6) Economic and Monetary Union, and (7) investing in people, social cohesion and values. The inclusion of programmes supporting cohesion, economic reforms, youth and values within one heading represents a new approach to the MFF structure.

The bulk of resources within the heading is allocated to three cohesion policy funds: the European Regional Development Fund (+2 %); the Cohesion Fund (–45 %); and the European Social Fund+ (-7 %). Overall, the allocation for cohesion funding would decrease by around 10 % in comparison

[7] For an overview of individual programmes as a share of the total proposed 2021-2027 MFF, see Annex 4.

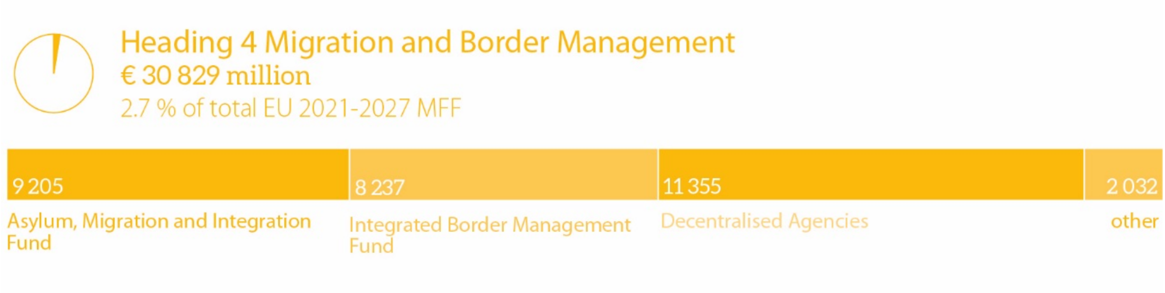
with the 'virtual' current MFF. Moreover, its share in the total MFF would fall from the current 34.1 % to 29.2 %.

On the other hand, the Commission plans to significantly increase funding aimed at supporting young people. The proposal would allocate €26.7 billion to Erasmus+ (+92 %) and triple the allocation for the European Solidarity Corps. The new Justice, Rights and Values Fund would amount to €841.3 million and comprise two programmes: the justice programme (promoting a European justice area and cross-border cooperation), and the rights and values programme (to promote rights, values and equality).

Based on experience with the existing structural reform support programme, the Commission proposes to include a tool in the MFF directly linked to European Economic and Monetary Union (EMU). Allocated €22.2 billion over seven years, the reform support programme is designed to support structural reforms in Member States (including those outside the euro area) that are important for the convergence and resilience of Member State economies. The Commission believes the programme would play a complementary role to other EU funds, in particular the European Structural and Investment Funds and the new InvestEU Fund. By grouping the instruments within a single heading, along with the cohesion policy funds, the Commission has signalled its intention to strengthen the link between cohesion policy and the European Semester.

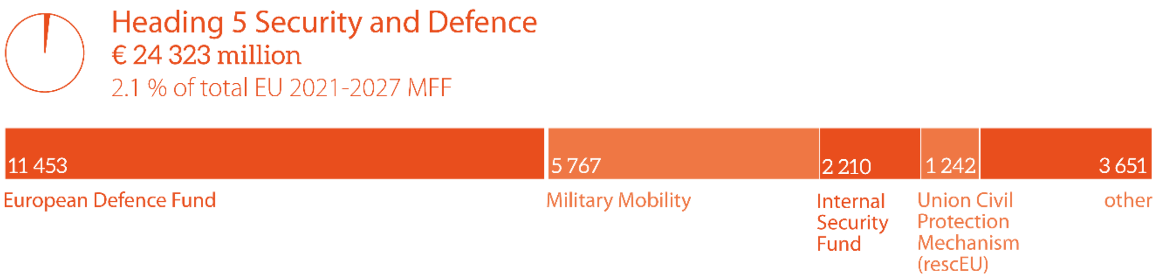
Heading 3 is the second biggest heading in the proposal in terms of funding, and is dedicated to programmes supporting: (8) agriculture and maritime policy, and (9) environment and climate action. Heading 3 includes programmes and funds currently included under heading 2 and related to the common agricultural policy, the common fisheries policy, rural development, and environmental measures. The two agricultural funds – the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) – account for most of the funding under this heading. The allocation for the EAGF and EAFRD in comparison with the 'virtual' current MFF has been reduced by more than 15 %. The proposed European Maritime and Fisheries Fund (EMFF) would amount to €5.45 billion, or approximately 13 % less than in the current MFF, after deducting current UK spending.

The LIFE programme for environment and climate action would increase from the current €3.2 billion to €4.8 billion (+50%). The Commission has proposed a relatively small margin in this heading, amounting to 0.24 % of the allocation.



Heading 4 accounts for 2.7 % of the proposed new MFF, and includes policy clusters (10) migration, and (11) border management. There are two funds in this heading: the Asylum and Migration Fund (+36 %), and the Integrated Border Management Fund (IBMF) (+197 %), which includes border management, visas and customs control equipment. Decentralised agencies linked to the IBMF, including Frontex, the European Border and Coast Guard Agency, would have their budget almost tripled, allowing Frontex to create a standing corps of around 10 000 border guards by the end of the next MFF period.

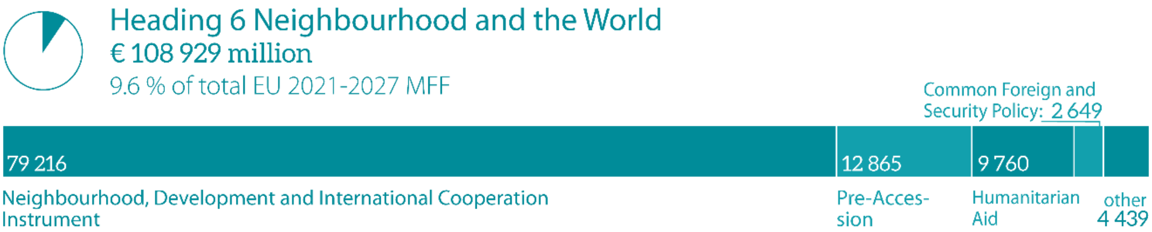
In the current MFF, no such separate heading is dedicated to migration and border management. Most of the programmes and funds supporting this area are currently included under heading 3, security and citizenship. The proposal would ring-fence and significantly increase (+207 %) spending on migration and border security, reflecting the growing importance of this policy area and changes in EU priorities. The Commission has also budgeted a relatively large margin (6.6 %) for this heading.



Heading 5 represents 2.1 % of the MFF, and includes policy clusters (12) security, and (13) defence. The largest item under the heading is the European Defence Fund, which brings together the current European Defence Industrial Development Programme (EDIDP) and preparatory action on defence research. Their collective budget increases almost twenty-fold (from €575.3 million to €11.5 billion). In addition, the proposed MFF includes a new €5.8 billion 'military mobility' budget earmarked within the transport envelope of the Connecting Europe Facility, to upgrade EU transport infrastructure so that military assets can be moved swiftly between EU countries.

This heading also includes the Internal Security Fund (ISF) (+84 %), which brings together the current ISF and the justice programme; as well as a Union civil protection mechanism, 'RescEU' (+122 %), based on the current MFF's civil protection mechanism.

The proposal to increase EU spending in these areas, and to introduce a separate heading for security and defence in the MFF structure, reflects mounting pressure for EU action in this area. As in headings 1 and 4, the margin in heading 5 amounts to 6.6 %.

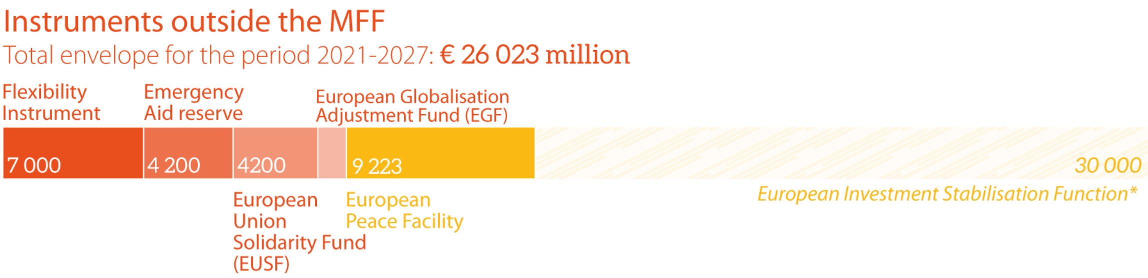


Heading 6 covers policy clusters (15) external action, and (16) pre-accession assistance. The former includes a new Neighbourhood, Development and International Cooperation Instrument, which brings together eight separate instruments and funds in the current MFF, as well as part of the European Development Fund (EDF), presently outside the MFF.[8] In so doing, it increases the amount budgeted in this policy area by 10 %. Also within policy cluster (15) external action, the Humanitarian Aid Fund brings together the current MFF instrument of the same name and another part of the EDF, and is roughly stable (-1 %) compared with the same policy area in the current MFF in EU-27 terms. The margin provided under this heading amounts to 2.7 % of the allocation.

Heading 6 contains the next generation of the current MFF's Instrument for Pre-accession Assistance, with funding in this policy area also roughly stable (-1 %) compared with the current Instrument.

Heading 7 is 6.7 % of the proposed new MFF. It comprises the administrative expenditure of the EU's institutions (+3 %) as well as the European Schools and EU civil servants' pensions (+21 %). The Commission argues that these increases should be seen in the context of the current MFF, for which the institutions implemented a 2013 agreement to reduce staffing levels by 5 %.

4. Proposed new instruments outside the MFF ceilings



Instruments outside the MFF include what are referred to as the 'special instruments' for budgetary flexibility and two new instruments: the European Peace Facility and the European Investment Stabilisation Function.

[8] The question of whether to incorporate the European Development Fund into the MFF, as the Commission now proposes to do, was explored in an EPRS in-depth analysis on the topic. See: A. D'Alfonso, European Development Fund. Joint development cooperation and the EU budget: out or in?, EPRS, European Parliament, November 2014.

Flexibility Instrument (FI): the proposal would budget €1 billion annually for the FI (up from €689 million (2018 prices) at present (+45 %). As is the case for the current MFF period, it would be possible to use lapsed amounts from previous years (up to year n+3), as well as from the Emergency Aid Reserve, the European Solidarity Fund and the European Globalisation Adjustment Fund. The FI is meant to cover expenditure that cannot be financed within the MFF ceilings.

Emergency Aid Reserve (EAR): currently designed to enable the EU to respond rapidly to crises outside the Union's borders, the proposed new EAR could also be deployed inside the EU. The annual amount budgeted would increase from €345 million (2018 prices) at present, to €600 million (+74 %). As with the current EAR, it would still be possible to transfer unused amounts from one year to the next (n+1).

European Union Solidarity Fund (EUSF): the EUSF would have an annual budget of €600 million under the proposal, up slightly from €574 million (2018 prices) currently (+5 %). The EUSF provides financial assistance to EU Member States affected by major natural disasters. As in the current MFF, it would be possible to transfer the unused amount to year n+1 and draw on funds from the following year in year n-1.

European Globalisation Adjustment Fund (EGF): the Commission is proposing to budget €200 million annually for the EGF, up from €172.3 million (2018 prices) currently (+16 %). The EGF co-finances training and other assistance for workers made redundant as a result of structural economic changes linked to globalisation, or as a consequence of the financial and economic crisis.

As part of measures designed to make the next MFF more flexible, the Commission has proposed modifications to the special instruments. The global margin for commitments would be replaced by a Union Reserve financed from the margins remaining from year N-1 and, as of 2023, from decommitments made during year N-2. The current limits on the amounts made available under the global margin for payments would be lifted. In addition, the Commission proposes to maintain the contingency margin at the level of 0.03 % of EU GNI, and has reiterated that all special instruments can be mobilised above the ceilings for both commitments and payments.

The Commission has proposed two other instruments outside the MFF.

European Peace Facility: the Commission is proposing a new extra-MFF budgetary facility (€9.2 billion over seven years) to finance operations under the EU's common security and defence policy (CSDP) and other international operations, and to train and support third countries' armed forces in peace-keeping operations. The facility will financed outside the MFF, because the Treaty on European Union (Article 41) does not allow CFSP operations with military or defence implications to be financed under the EU budget.

European Investment Stabilisation Function (EISF): the EISF is distinct from the other extra-MFF instruments in that it is not a financial envelope, but rather a mechanism for disbursing loans of up to €30 billion in total over the proposed new MFF period. The loans would be available to euro area and Exchange Rate Mechanism participant Member States suffering an asymmetric economic shock, as indicated by a high and quickly rising unemployment rate. The loans themselves would be contingent liabilities, meaning they would only have budgetary implications if the Member State failed to repay them at maturity. They would come with an interest rate subsidy, financed by contributions from euro area Member States equivalent to a share of central bank monetary income (seigniorage).

5. Proposed new own resources after 2020

Together with a new MFF, the Commission has proposed a Council decision on a new system of own resources (OR)[9] – the revenue side of the EU budget – for the period after 2020. The proposed changes are partly a response to recommendations in the December 2016 report of the High-Level Group on Own Resources (HLGOR), which was set up at the behest of the Parliament as a condition for its consent to the current MFF in 2013. Unlike the MFF, the Own Resources decision applies indefinitely, which means that the Commission is not formally required to draft a new own resources proposal when it proposes a new MFF. The Commission argues that this time is different, however. Firstly, because of the departure of the UK, and with it the rationale for the correction mechanism, or 'rebate', for that country; and secondly because the current Own Resources Decision contains a number of additional correction mechanisms reducing the GNI or VAT-based contribution for other Member States that will expire in 2020. The proposed new system therefore responds to both a political opportunity created by Brexit and a longstanding push by Parliament to simplify and rationalise the revenue side of the EU budget. The Commission's proposal would change the own resources system in five ways:

(1) It would simplify and tweak existing own resources

Traditional own resources (TOR), primarily consisting of customs duties, will yield an estimated €23 billion in 2018, or 15.9 % of total own resources this year.[10] Under the current system, Member States, which are responsible for collecting TOR, retain 20 % of what they collect, to cover the costs of doing so. The proposal would reduce this share to 10 %, which the Commission believes would be enough to provide an 'appropriate incentive' for national authorities to correctly collect TOR on the Union's behalf. The Commission estimates that the proposal would see TOR account for 15.1 % of OR in 2027.

The VAT-based own resource, which will provide an estimated €17 billion (12 %) in 2018, would be retained on the grounds that it is linked to the single market and tax harmonisation, but the formula used to calculate it would be simplified. The current system involves numerous corrections, compensations, caps and differing call rates. The proposed new VAT resource would simplify these calculations and apply a uniform 1 % call rate. The new VAT resource would account for an estimated 14.1 % of OR in 2027.

The GNI resource would be retained as a balancing resource, but its importance would decline in relation to the other resources, falling from 72.1 % of OR in 2018 to an estimated 56.8 % in 2027.

(2) It would introduce three new own resources

Both the HLGOR report and numerous Parliament resolutions have suggested candidates for new OR that are tied more obviously to EU objectives. The three new resources proposed by the Commission fit that criterion: a national contribution based on the Common Consolidated Corporate Tax Base (CCCTB), which the Commission links to EU policies on the single market and tackling tax-base erosion; a share of the revenues generated by the EU emissions trading system (ETS), linked to EU policies on carbon pricing and tackling climate change; and a national contribution based on the quantity of non-recycled plastic packaging waste generated in each Member State, linked to the EU's plastic strategy and circular economy objectives. The Commission

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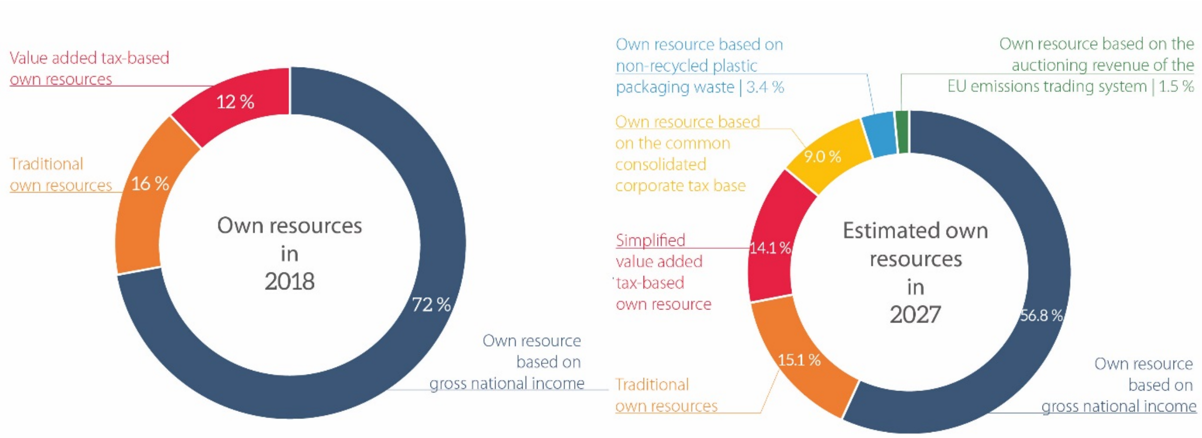
9 For an explanation of the current own resources system, see M. Parry, M. Sapala, Post-2020 MFF and own resources. Ahead of the Commission's proposal, EPRS, April 2018.

10 Estimates of respective shares of own resources in 2018, and proposed new own resources in 2027, are taken from Commission Staff Working Document, SWD(2018) 172 final, 2 May 2018, p. 35.

estimates that these new resources would account for 9 %, 1.5 % and 3.4 % respectively of estimated OR in 2027, or a total 13.9 % of the mix (see figure 2).

Figure 2 – Own resources in 2018, and estimated own resources in 2027



Source: EPRS, based on Commission Staff Working Document, SWD(2018) 172 final, 2 May 2018.

(3) It would 'establish the principle' that 'future revenues arising directly from EU policies should flow to the EU budget'

In line with the rationale for the three new proposed resources, the Commission maintains that the revenue arising from EU policy should accrue to the EU budget by default, with this principle guiding choices about future OR beyond this proposal. The explanatory memorandum to the proposal cites the example of anticipated revenue from a future European Travel and Information Authorisation System (ETIAS).[11]

(4) It would phase out rebates

As expected, the Commission has taken the opportunity presented by Brexit to propose a phasing-out of correction mechanisms, including both the UK rebate and the 'rebates on the rebate' for Germany, the Netherlands, Austria and Sweden. Except for the UK rebate, the elimination of rebates would not have immediate effect, but would instead be phased out over a five-year period up to the year 2025, such that the change would only fully be implemented in 2026. This would be to avoid a 'significant and sudden increase' in those countries' contributions.

However, a separate financial 'adjustment' for Denmark, Ireland and the UK, to account for their non-participation in some of the EU's justice and home affairs (JHA) policies, would be retained for Denmark and Ireland.[12]

(5) It would increase the own resources ceiling

The current Own Resources Decision sets a ceiling on annual calls for OR from the Member States, at 1.20 % of the EU's total GNI. The Commission proposes to raise this ceiling to 1.29 %, to take account of the smaller total GNI of a post-Brexit EU of 27 countries; the increased budgetary resources necessary to cover liabilities linked to loans and other instruments guaranteed against the EU budget, and the integration of the European Development Fund into the MFF.

[11] For more on the proposed new ETIAS, see A. Radjenovic, European Travel Information and Authorisation System (ETIAS), EU Legislation in Progress briefing, EPRS, May 2018.

[12] The status of Denmark and Ireland in relation to the EU's JHA polices is set out in Protocols 21 and 22 respectively to the Treaty on the Functioning of the European Union. The budgetary implications of their status are provided for in Article 11 of Council Regulation (EU, Euratom) No 609/2014.

6. European Parliament internal organisation for the MFF negotiations

As explained in our briefing 'Post-2020 MFF and own resources – Ahead of the Commission's proposal',[13] the MFF regulation and the Own Resources decisions are adopted by way of legislative procedures, with different roles for the European Parliament and the Council, and a specific role for the European Council (see box). Nevertheless, Parliament has made clear that it intends to negotiate both the expenditure and revenue sides of the MFF as a single package, and is firm that 'no agreement will be reached on the MFF without corresponding headway being made on own resources'.[14]

Procedure leading to the adoption of the MFF regulation (Article 312 TFEU)

The MFF is adopted in the form of a regulation via a special legislative procedure, with the Council acting unanimously after receiving Parliament's consent as expressed by absolute majority.

Alternatively, the European Council may unanimously authorise the Council to act by a qualified majority when adopting the MFF regulation.

In addition, Article 312(5) TFEU requires the EP, the Council and the Commission to take any measure necessary to facilitate the adoption of the MFF.

Procedure leading to the adoption of the own resources decision (Article 311 TFEU)

Own resources decisions are adopted unanimously by the Council after consulting the European Parliament. In addition, Council decisions on own resources only enter into force once approved by Member States 'in accordance with their respective constitutional requirements', which typically means approval by national parliaments.

However, Council decisions on own resources are accompanied by implementing acts in the form of Council regulations, to which Parliament must give its consent, as in the case of the MFF regulation.

Both the Parliament's internal bodies and the Council's working parties have already begun to discuss the details of the Commission's proposal. On the Parliament side, there is a determination to make full use of the possibilities provided by the Treaty of Lisbon, in particular Article 312(5). Given the experience of the MFF 2014-2020 negotiations,[15] and with a view to maximising Parliament's impact at all stages of the procedure, the Conference of Presidents of the European Parliament took organisational decisions in March 2018 on the main bodies representing the Parliament in the upcoming negotiations. A negotiating team was appointed for meetings with the General Affairs Council. The team is composed of the Chair of the Committee on Budgets (Jean Arthuis, ALDE, France), the two co-rapporteurs for the MFF proposal (Jan Olbrycht, EPP, Poland, and Isabelle Thomas, S&D, France) and the two co-rapporteurs for the proposal on own resources (Janusz Lewandowski, EPP, Poland, and Gérard Deprez, ALDE, Belgium). The mandate for the negotiations with the Council will be provided by a contact group composed of the President, representatives of all political groups and the negotiating team. Moreover, based on Article 324 of the TFEU, the President of the Parliament can represent the EP in

[13] M. Parry, M. Sapala, Post-2020 MFF and own resources. Ahead of the Commission's proposal, EPRS, April 2018.

[14] European Parliament Resolution of 14 March 2018 on the next MFF: preparing the Parliament's position on the MFF post-2020 (2017/2025(INI)).

[15] In preparation for the 2014-2020 MFF, the European Parliament set up a special Committee on the policy challenges and budgetary resources for a sustainable European Union after 2013 (SURE). This time, the Committee on Budgets was in charge of preparation of the EP's position on the next MFF ahead of the Commission's proposal. For more on the preparation and negotiations of the 2014-2020 MFF please see: J-L. Dehaene, I. Kalfin, Report on negotiations on the MFF 2014-2020: lessons to be learned and the way forward, 2014/2005(INI), 26 March 2014; R. Drachenberg, The European Council and the Multiannual Financial Framework, EPRS, European Parliament, February 2018.

the MFF negotiations at the highest political level, as interlocutor with the presidents of the European Commission and the Council Presidency.

In addition to this, the legislative work ahead of the Parliament includes processing 48 legislative proposals for new and ongoing spending programmes and funds under the next MFF. Most of them will be adopted by way of the ordinary legislative procedure, in which Parliament and Council act on an equal footing. Most of Parliament's committees will be involved in this work, either as lead committee or giving an opinion.

7. Next steps

Both Parliament and the Commission have signalled that they are ready to make an effort to reach agreement on the new MFF and OR within one year, before the May 2019 European elections. Meeting this deadline would allow a timely start to implementation of the new spending programmes, and thus have a bearing on the agenda of the next Commission and Parliament.

However, recent European Council meetings have not brought any clarity regarding the possibility of reaching an agreement before the elections. At the summit on 28-29 June 2018, the European Council called upon the Commission and the Parliament to examine the proposals on the multiannual financial framework 2021-2027 'in a comprehensive manner and as soon as possible'. For now, the Parliament is sticking with its ambitious timeframe, and plans to prepare an interim report on the future MFF in the autumn, subject to the progress of Council negotiations.

* Based on the European Council Leader's Agenda, July 2018

MAIN REFERENCES

Commission Staff Working Document, Financing the EU budget: report on the operation of the own resources system (SWD/2018/172 final).

Communication from the Commission, A Modern Budget for a Union that Protects, Empowers and Defends. The Multiannual Financial Framework for 2021-2027 (COM/2018/321 final).

Resolution of 14 March 2018 on the next MFF: preparing the Parliament's position on the MFF post-2020 (2017/2052(INI)), European Parliament.

Proposal for a Council Decision on the system of Own Resources of the European Union (COM/2018/325 final).

Proposal for a Council Regulation laying down the multiannual financial framework for the years 2021-2027 (COM/2018/322 final).

Dobreva A., Multiannual Financial Framework 2021-2027. Commission proposal. An initial comparison with the current MFF, EPRS, European Parliament, May 2018.

Parry M., Sapala M., Post-2020 MFF and own resources. Ahead of the Commission's proposal, EPRS, European Parliament, April 2018.

Annex 1 – 2021-2027 MFF package of proposals and accompanying documents

The MFF package proposed by the European Commission on 2 May 2018 includes:

- Proposal for a Council Regulation laying down the multiannual financial framework for the years 2021-2027 (COM/2018/322 final).
- Proposal for a Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (COM/2018/323 final).
- Communication from the Commission, A Modern Budget for a Union that Protects, Empowers and Defends. The Multiannual Financial Framework for 2021-2027 (COM/2018/321 final).
- Commission Staff Working Document, Spending review (SWD/2018/171 final).
- Proposal for a Regulation on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States (COM/2018/324 final).
- Proposal for a Council Decision on the system of Own Resources of the European Union (COM/2018/325 final).
- Commission Staff Working Document, Financing the EU budget: report on the operation of the own resources system (SWD/2018/172 final).
- Proposal for a Council Regulation on the methods and procedure for making available the Own Resources based on the Common Consolidated Corporate Tax Base, on the European Union Emissions Trading System and on Plastic packaging waste that is not recycled, and on the measures to meet cash requirements (COM/2018/326 final).
- Proposal for a Council Regulation lying down implementing measures for the system of Own Resources of the European Union (COM/2018/327 final).
- Proposal for a Council Regulation amending Regulation (EEC, Euratom) No 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from value added tax (COM/2018/328 final).

ANNEX 2 – Overview of issues at stake in the debate on the 2021-2027 MFF: the European Parliament, the European Commission and the Member States

ISSUE	EUROPEAN PARLIAMENT[16]	EUROPEAN COMMISSION	EXAMPLES OF COUNCIL/MEMBER STATES[17]
		MFF	
Overall size	There should be a 'significant increase' in the EU's budget tounderpin a 'stronger and more ambitious Europe', with MFF expenditure ceilings increased to 1.3 % of EU-27 GNI (not including instruments outside MFF ceilings).	Proposal amounts to €1 134 583, which is an estimated 1.11 % of the EU-27's GNI in commitment appropriations. This can be seen as bigger or smaller than the current MFF, depending on perspective. As a share of GNI: – Compared with the current MFF, represents an **increase** from 1.03 % (with the addition of the EDF) of the current EU-28's GNI. – Compared with a 'virtual' EU-27 2014-2020 that subtracts spending in the UK, and subtracts UK GNI, represents a **decrease** from 1.16 %. In absolute terms and in constant 2018 prices, proposed MFF is: – a very slight **decrease** on the current €1 136 105, but – an **increase** of 5 % on the 'virtual' EU-27 2014-2020 MFF of €1 082 320	Dutch, Swedish, Austrian and Danish governments want a smaller MFF. Finnish government prefers a stable MFF. Irish, German and French governments would countenance a larger MFF. Portugal would support an MFF of 1.2 % of EU GNI. Latvia is in favour of increasing contributions rather than making deep cuts. Czech Republic and Romania support an MFF of 1 % of GNI, but are ready to discuss a bigger MFF. Greece wants a similar-sized MFF, if not bigger. Denmark supports an expenditure ceiling of 1 % of EU-27 GNI.

[16] If not otherwise stated, based on the European Parliament resolution of 14 March 2018 on the next MFF: Preparing the Parliament's position on the MFF post-2020 ((2017/2052(INI)), and on the European Parliament resolution of 30 May 2018 to on the 2021-2027 multiannual financial framework and own resources, .

[17] Not an exhaustive list of Member State positions. Based on Member State position papers or comments to media.

Pressure on revenue and expenditure: Brexit shortfall and pressure to spend more on new priorities	Funding gap should be bridged entirely with additional funds, by increasing MFF to 1.3 % of EU GNI. But EP makes a link with the introduction of new EU own resources, which should cover Brexit shortfall and spending on new priorities, and allow share of GNI-based contribution to fall to 40 % over time.	Funding gap would be met through a mix of cuts and increased contributions from the Member States. Proposed cuts would mostly fall on agriculture (-15 %) and cohesion (-10 %).	National positions mirror those stated above on overall size of MFF. In addition, the 'cohesion' countries (Slovenia, Croatia, Portugal, Lithuania, Latvia, Czech Republic, Romania, Italy and Spain) oppose the proposed cut to the cohesion policy budget; major CAP beneficiary countries oppose the cut in agricultural funds. Malta and Cyprus are also in favour of a strong cohesion policy, however Malta is open to reform of the CAP, and Cyprus sees scope for reducing the relative weight of the CAP. Sweden supports cuts in cohesion policy and the CAP. Ireland is in favour of 'appropriate levels' of spending on traditional priorities such as agriculture and cohesion programmes.
New priorities agreed in Bratislava (September 2016) and Rome (March 2017) declarations	EU should increase funding in the areas of asylum, migration and integration; external border protection and promoting stability in the EU's neighbourhood; internal security; and defence-related research and industrial development.	The proposal brings the structure and programmes of the EU budget 'fully into line' with the agenda agreed in Bratislava and Rome. This is also expressed in: • new headings: 4) Migration and border management; 5) Security and defence; 6) Neighbourhood and the world; • new Border Management Fund, increased Asylum and Migration Fund, European Border and Coast Guard; • reinforced Internal Security Fund, Europol, European Defence Fund, civil protection mechanism (rescEU); • reinforced Neighbourhood, Development and International Cooperation Instrument, Pre-Accession Instrument and Humanitarian Aid	Netherlands, Sweden, Austria, Denmark and Finland are in favour of increased support for innovation, climate, defence and migration policy, even at the cost of 'traditional' investment in cohesion and agriculture. Slovenia, Croatia, Cyprus are in favour of priorities such as migration and security; creating jobs; investing in skills, research and innovation; and supporting micro, small and medium-sized enterprises; with relative weight of other objectives adapted accordingly. Portugal, Lithuania, Czech Republic and Greece are in favour of funding for migration, climate change, security and defence, but not at the cost of 'old' priorities. Italy, Spain, Belgium, Latvia and France support programmes for competitiveness, education and culture, research and innovation, migration, and security.

	Selected specific demands: • triple current size of Erasmus+ • 50% more for research and innovation • double funding for LIFE, COSME and Youth Employment Initiative (YEI) • 'significant' increase of the CEF	Proposed increase as compared with 'virtual' EU-27 2014-2020 MFF, 2018 prices (see Annex 2): • Erasmus+ 92 % • Horizon Europe 29 % • LIFE programme 50 % • CEF 19 % • COSME 17 % Difficult to calculate proposed increase in YEI, since proposal would see it incorporated into European Social Fund+.	Ireland and Germany also highlight newer EU priorities, including migration, climate change, security and defence.
Structure: headings and programmes	The MFF structure should be changed and increase the visibility of EU priorities	New structure of seven headings and three sub-ceilings aligned with EU priorities; streamlined list of programmes (from 58 currently to 37)	
Mid-term revision	Legally binding and compulsory mid-term review and revision should be conducted in due time to allow next Parliament and Commission to adjust MFF	Mid-term review should take place before the end of 2023 and may, as appropriate, be accompanied by proposal for revision of the regulation	Latvia sees the mid-term revision as an option to improve flexibility.
Link with the European Semester	EU budgets should incentivise sustainable growth, convergence, investments and reforms.	Proposal includes a €22.2 billion reform support programme consisting of a Technical Support Instrument and a Reform Delivery Tool that rewards Member States that carry out reforms. A Convergence Facility would target technical and financial support to non-euro-area Member States aiming to adopt the euro.	In line with German government comments to media. Portugal in favour of a closer link with the European Semester.
Fiscal stabiliser for euro area Member States undergoing asymmetric shocks	Euro requires 'a fiscal capacity to cope with macroeconomic shocks' which should include a 'specific additional budgetary capacity for the euro area'.[18]	Proposal includes a European Stabilisation Investment Function (EISF) providing up to €30 billion in loans to euro area and ERM-II participating Member States subject to large shocks, as indicated by high and quickly rising unemployment	Falls far short of French President Emmanuel Macron's August 2017 call for a euro area budget representing 'several points' of euro area GDP. On 19 June 2018, the French and German leaders announced their joint support for a euro area budget. Not yet clear how this will relate to Commission proposal for an EISF. Lithuania is also open to discussing possible elements of a common fiscal capacity. Italy suggests a common stabilisation mechanism and an ad hoc budget for countries under fiscal pressure.
Flexibility	Reinforcement of flexibility provisions (for commitments and payments) to be able to react to unforeseen circumstances.	Budgetary flexibility 'more than ever' an 'essential principle' for the next MFF.	Most Member States see the need to equip the MFF with the flexibility to allow a rapid response to new, unexpected challenges. They are in favour of enhanced

18 As declared in declared in resolution of 16 February 2017 on budgetary capacity for the euro area, 2015/2344(INI), European Parliament.

	Global margins for commitments should be maintained without restrictions in scope and time (for year n-1 and yearn).	Global margin for commitments replaced by a Union Reserve financed from margins left of year n-1 and, as of 2023, of decommitments made during year n-2.	MFF flexibility, simplification and rationalisation of existing flexibility instruments (Austria, Belgium, 'Visegrad 4' countries) as well as improving the approach to mobilising them (Czech Republic). Latvia considers the existing special instruments and flexibility acceptable in form and substance, and does not see the need to increase the number of special instruments. According to Germany, Italy and the Netherlands, adequate margins should be considered as one of the main mechanisms for flexibility, alongside flexibility between and within headings. The Czech Republic is against creating a crisis reserve, while Cyprus would consider it as an option. France, the Czech Republic and Belgium say that reserves and flexibility instruments should be constituted within the ceilings of the agreed budget, and that the overall payment ceiling should not be exceeded. However, Portugal would like to include in the MFF explicit confirmation that all special instruments can be mobilised over and above commitment and payment ceilings.
	Global margin for payments should enable a full carry-over of payment margins across the MFF, without limitations or ceilings to the level of margins that can be transferred.	Global margin for payments without restrictions of the amount of the adjustment of ceilings (as of 2022).	
	Flexibility within headings ('legislative flexibility') should increase from 10 % to 15 %.	Amount that can be transferred between programmes within one heading increased from 10-15 %, thereby increasing the flexibility within headings.	
	Flexibility Instrument should increase up to at least €2 billion per year.	Flexibility Instruments increased to €1 billion per year (plus unused amounts of Emergency Aid Reserve, European Solidarity Fund and the European Globalisation Adjustment Fund).	
	Contingency margin should be maintained as a last resort instrument mobilised for payments, and its maximum annual allocation should be adjusted upward to 0.05 % of EU GNI.	Contingency margin maintained at the level of 0.03 % of EU GNI.	
	Emergency Aid Reserve should increase to €1 billion per year.	Emergency Aid Reserve extended to EU countries and allocation increased to €600 million per year.	
	EU Solidarity Fund should increase to €1 billion per year.	EU Solidarity Fund annual amount to increase to €600 million.	
	European Globalisation Adjustment Fund should be revised and financed at the same level.	European Globalisation Adjustment Fund annual amount increased to €200 million.	
	Contingency Margin – upward adjustment of maximum annual allocation to 0.05 % of EU GNI.	No change proposed.	
	Special instruments should be counted over and above the MFF ceilings for commitments and payments.	Proposal in line with Parliament's recommendation.	
	The procedure for mobilisation of special instruments should be the same as for the adoption of the EU budget.	Streamlined mobilisation procedures in line with the Financial Regulation; budgetary procedure to be applied for Flexibility Instrument, contingency margin, European Globalisation Adjustment Fund, EU Solidarity Fund.	

	Revenues from fines and late payments should be additional revenue contributing to a special reserve (at the moment, they are reused, and decrease the Member States' GNI-based contributions).	Not included in the proposal.	
Conditionality: rule of law (respect for the values enshrined in Article 2 TEU)	Commission should propose a mechanism whereby Member States that do not respect the values enshrined in Article 2 TEU are subject to financial consequences, whilst ensuring that final beneficiaries that are not responsible for breaches of rules by the Member States, are not affected, and that financial consequences are borne by the Member State 'independently of budget implementation'.	Proposal for a regulation on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States. Article 4 of the proposal includes provisions protecting the final recipients and beneficiaries.	Poland and Hungary have reacted negatively to the proposal; Bulgaria remains sceptical; Belgium, Germany, France, Sweden have expressed support for the instrument. Italy and the Netherlands have also reacted in favour of rule of law conditionality.
EDF budgetisation	Longstanding support for integration of the EDF into the EU budget.	Proposal to integrate the EDF into the EU budget (excluding the African Peace Facility).	The Czech Republic is open to incorporating the EDF into the MFF, but would first consider the implications from a financial and implementation perspective. Germany is in favour of budgetising the EDF, as is the Netherlands, with a view to increasing the transparency of the EU budget.
Duration	Seven-year period could be applied as a transitional solution for the last time. The EP is in favour of progressive transition to a 5+5 period, with a mandatory mid-term revision.	Seven-year MFF covering 2021 to 2027.	Slovenia, Malta, Croatia, Portugal, Lithuania, Latvia, Czech Republic, Cyprus, Romania, Austria, Ireland, Germany are in favour of the existing seven-year duration of the MFF.
Deadline for reaching agreement	Before European elections in May 2019.	Before European elections in May 2019.	The European Council has not agreed on a specific deadline; has called on the Council and the Parliament to examine the proposals 'in a comprehensive manner and as soon as possible'.

Own resources (OR)			
Complexity and lack of transparency	OR should be simpler and easier to understand, and rebates should be abolished.	Proposal would simplify VAT resources and phase out rebates over five years (2021-25).	Dutch, Austrian, Danish and Swedish governments oppose phasing out rebates. France, Italy, Spain in favour. 'Visegrad 4' countries and Latvia also in favour, but argues VAT resource should also be abolished for the sake of simplicity.
Encourages logic of *juste retour*	OR should be linked to EU priorities and 'European added value', and new OR should be designed to reduce the share of the GNI-based contribution to 40 %.	Proposal introduces new OR in line with Monti report. Commission estimates that its proposed new OR would see share of GNI-based resource fall from 72.1 % of mix in 2018 to 56.8 % in 2027.[19]	Dutch, Austrian, Danish and Swedish governments oppose new own resources. France, Italy, Spain and 'Visegrad 4' countries in favour, subject to certain conditions.
Rationale for chosen resources	EP has suggested a number of new own resources linked to the single market, fairer and more efficient taxation, and tackling climate change.	Commission has proposed three new own resources. A CCCTB-based resource would align with single market objectives, while ETS and plastic packaging resources would align with environmental and climate objectives.	National positions mirror those stated above on logic of own resources. For instance, Spain maintains 'should respect the good functioning of the internal market and ensure the fulfilment of efficiency criteria'. 'Visegrad 4' countries argue new OR should be considered, 'provided they are not detrimental to the national fiscal sovereignty and do not result in a disproportionate burden on less prosperous Member States'.

19 Based on Commission Staff Working Document, SWD(2018) 172 final, 2 May 2018

ANNEX 3(a) – Proposal for the 2021-2027 Multiannual Financial Framework (commitments, 2018 prices, € million)

Headings Policy clusters	2014-2020 (EU-28+EDF)	7*2020 EU-27+EDF	'Virtual' 2014-2020 (EU-27+EDF)	Proposal 2021-2027 (EU-27+EDF)	% change vs EU-27 2020*7	% change vs EU-27 2014-2020
1. Single market, innovation and digital	**127 693**	**133 062**	**116 361**	**166 303**	**25 %**	**43 %**
1. Research and Innovation	78 947	79 965	69 787	91 028	14 %	30 %
Horizon Europe	76 261	78 023	67 063	86 596	11 %	29 %
Of which under the Invest EU Fund	*2 718*	*2 795*	*2 390*	*3 105*	*11 %*	*30 %*
Of which research and innovation in food, agriculture, rural development and the bioeconomy:	*5 770*	*6 177*	*5 074*	*8 873*	*44 %*	*75 %*
Euratom research and training programme	2 410	2 349	2 119	2 129	-9 %	0 %
International Thermonuclear Experimental Reactor (ITER)	2 992	2 387	2 992	5 406	127 %	81 %
Other	2	2	2	2	6 %	48 %
2. European strategic investments	33 584	33 126	31 886	44 375	34 %	39 %
InvestEU Fund	4 382	4 634	3 968	13 065		
Connecting Europe Facility – Transport	12 948	17 351	12 393	11 384	-34 %	-8 %
Connecting Europe Facility – Energy	4 780	7 126	4 185	7 675	8 %	83 %
Connecting Europe Facility – Digital	1 050	1 329	1 001	2 662	100 %	166 %
Digital Europe Programme	183	175	172	8 192		
Other	9 117	1 307	9 097	177	-86 %	-98 %
Decentralised agencies	1 125	1 205	1 069	1 220	1%	14%
3. Single market	5 563	5 572	5 100	5 672	2%	11%
Single market programme (incl. COSME)	5 433	5 442	4 940	5 404	-1 %	9 %
Of which under the Invest EU Fund:	*1 461*	*1 721*	*1 394*	*1 774*	*3 %*	*27 %*
EU Anti-fraud programme	157	160	156	161	1 %	3 %
Cooperation in the field of taxation (FISCALIS)	228	221	226	239	8 %	6 %
Cooperation in the field of customs (CUSTOMS)	539	503	536	843	67 %	57 %
Other	64	82	61	87	6 %	43 %
Decentralised agencies	603	885	575	714	-19 %	24 %
4. Space	11 512	12 613	11 502	14 404	14 %	25 %
European space programme	11 308	12 415	11 308	14 196	14 %	26 %
Decentralised agencies	204	198	194	208	5 %	8 %
Margin	-1 913	1 786	-1 913	10 824		

Headings Policy clusters	2014-2020 (EU-28+EDF)	7*2020 EU-27+EDF	'Virtual' 2014-2020 (EU-27+EDF)	Proposal 2021-2027 (EU-27+EDF)	% change vs EU-27 2020*7	% change vs EU-27 2014-2020
2. Cohesion and values	**400 338**	**407 127**	**387 250**	**391 974**	**-4 %**	**1 %**
5. Regional Development and Cohesion	280 511	288 300	272 647	242 209	-16 %	-11 %
European Regional Development Fund	204 428	208 377	196 564	200 622	-4 %	2 %
Cohesion Fund	75 848	79 697	75 848	41 374	-48 %	-45 %
Of which contribution to the Connecting Europe Facility - Transport	*11 487*	*11 980*	*11 487*	*10 000*	*-17 %*	*-13 %*
Support for the Turkish-Cypriot Community	236	227	236	213	-6 %	-10 %
6. Economic and Monetary Union	277	591	273	22 281		
Reform support programme (including Reform Delivery Tool and Convergence Facility)	185	495	185	22 181		
Protection of the euro against counterfeiting	7	8	7	7	-14 %	-8 %
Other	85	88	81	93	6 %	16 %
7. Investing in people, social cohesion and values	120 949	119 290	115 729	123 466	4 %	7 %
European Social Fund+	99 967	94 747	96 216	89 688	-5 %	-7 %
Of which health, employment and social innovation	*1 178*	*1 105*	*1 075*	*1 042*	*-6 %*	*-3 %*
Erasmus+	14 889	17 775	13 699	26 368	48 %	92 %
European Solidarity Corps	373	981	373	1 113	13 %	199 %
Creative Europe	1 501	1 537	1 403	1 642	7 %	17 %
Justice, Rights and Values	965	906	910	841	-7 %	-8 %
Other	1 199	1 068	1 158	1 185	11 %	2 %
Decentralised agencies	2 055	2 276	1 971	2 629	16 %	33 %
Margin	-1 399	-1 054	-1 399	4 018		
3. Natural resources and environment	**428 354**	**379 334**	**399 608**	**336 623**	**-11 %**	**-16 %**
8. Agriculture and Maritime Policy	418 616	374 911	390 155	330 724	-12 %	-15 %
European Agricultural Guarantee Fund (EAGF)	309 064	273 743	286 143	254 247	-7 %	-11 %
European Agricultural Fund for Rural Development (EAFRD)	102 004	93 877	96 712	70 037	-25 %	-28 %
European Maritime and Fisheries Fund	6 490	6 217	6 243	5 448	-12 %	-13 %
Other	963	960	962	878	-8 %	-9 %
Decentralised agencies	95	114	95	113	0 %	20 %
9. Environment and Climate Action	3 778	3 864	3 492	5 085	32 %	46 %
Programme for Environment and Climate Action (LIFE)	3 507	3 582	3 221	4 828	35 %	50 %
Decentralised agencies	272	282	272	257	-9 %	-5 %
Margin	5 960	560	5 960	814		

Headings Policy clusters	2014-2020 (EU-28+EDF)	7*2020 EU-27+EDF	'Virtual' 2014-2020 (EU-27+EDF)	Proposal 2021-2027 (EU-27+EDF)	% change vs EU-27 2020*7	% change vs EU-27 2014-2020
4. Migration and border management	10 595	10 740	10 051	30 829	187 %	207 %
10. Migration	7 618	6 722	7 180	9 972	48 %	39 %
Asylum and Migration Fund	7 166	5 984	6 745	9 205	54 %	36 %
Decentralised agencies	452	738	435	768	4 %	77 %
11. Border management	5 597	5 951	5 492	18 824	216 %	243 %
Integrated Border Management Fund	2 773	2 324	2 773	8 237	255 %	197 %
Decentralised agencies	2 825	3 628	2 720	10 587	192 %	289 %
Margin	-2 621	-1 933	-2 621	2 033		
5. Security and defence	**2 038**	**3.904**	**1 964**	**24 323**		
12. Security	3 514	3 361	3 455	4 255	27 %	23 %
Internal Security Fund	1 201	1 015	1 200	2 210	118 %	84 %
Nuclear decommissioning (Lithuania)	459	459	459	490	7 %	7 %
Nuclear safety and decommissioning (incl. for Bulgaria and Slovakia)	922	924	900	555	-40 %	-38 %
Decentralised agencies	932	963	896	1 001	4 %	12 %
13. Defence	575	1 716	575	17 220		
European Defence Fund	575	1 716	575	11 453		
Military mobility	-	-	-	5 767		
14. Crisis Response	1 237	1 190	1 222	1 242	4 %	2 %
Union civil protection mechanism (rescEU)	575	1 190	560	1 242	4 %	122 %
Other	662	p.m.	662	p.m.		
Margin	-3 289	-2 363	-3 289	1 606		
6. Neighbourhood and the world	**96 295**	**97 252**	**96 295**	**108 929**	**12 %**	**13 %**
15. External action	85 313	82 320	85 313	93 150	13 %	9 %
Neighbourhood, Development and International Cooperation Instrument	71 767	71 191	71 767	79 216	11 %	10 %
Humanitarian Aid	9 906	7 203	9 906	9 760	36 %	-1 %
Common Foreign and Security Policy (CFSP)	2 101	2 301	2 101	2 649	15 %	26 %
Overseas Countries and Territories (including Greenland)	594	576	594	444	-23 %	-25 %
Other	801	909	801	949	4 %	18 %
Decentralised agencies	144	141	144	132	-6 %	-8 %
16. Pre-accession assistance	13 010	11 704	13 010	12 865	10 %	-1 %
Pre-accession assistance	13 010	11 704	13 010	12 865	10 %	-1 %
Margin	-2 027	3 228	-2 027	2 913		

Headings Policy clusters	2014-2020 (EU-28+EDF)	7*2020 EU-27+EDF	'Virtual' 2014-2020 (EU-27+EDF)	Proposal 2021-2027 (EU-27+EDF)	% change vs EU-27 2020*7	% change vs EU-27 2014-2020
7. European public administration	**70 791**	**75 719**	**70 791**	**75 602**	**0 %**	**7 %**
European schools and pensions	14 047	15 548	14 047	17 055	10 %	21 %
Administrative expenditure of the institutions	56 744	60 171	56 744	58 547	-3 %	3 %
TOTAL Commitments	**1 136 105**	**1 107 138**	**1 082 320**	**1 134 583**	**2 %**	**5 %**
In % of GNI (EU-27)	***1.03%***	***1.14%***	***1.16%***	***1.11%***		
TOTAL Payments				**1 104 805**		
in % of GNI (EU-27)				***1.08%***		

ANNEX 3(b) – The proposal for the 2021-2027 Multiannual Financial Framework (commitments, current prices, €million)

Headings Policy clusters	2014-2020 (EU-28+EDF)	7*2020 EU-27+EDF	2014-2020 (EU-27+EDF)	2021-2027	% change vs EU-27 2020*7	% change vs EU-27 2014-2020
1. Single market, innovation and digital	**125 704**	**138 437**	**114 538**	**187 370**	**35 %**	**64 %**
1. Research and innovation	77 694	83 196	68 675	102 573	23 %	49 %
Horizon Europe	75 090	81 175	66 034	97 600	20 %	48 %
Of which under the Invest EU Fund	*2 678*	*2 908*	*2 355*	*3 500*	*20 %*	*49 %*
Of which research and innovation in food, agriculture, rural development and the bioeconomy	*5 690*	*6 426*	*5 004*	*10 000*	*56 %*	*100 %*
Euratom research and training programme	2 371	2 444	2 085	2 400	-2 %	15 %
International Thermonuclear Experimental Reactor (ITER)	2 910	2 483	2 910	6 070	144 %	109 %
Other	2	2	1	3	15 %	71 %
2. European Strategic Investments	33 120	34 464	31 439	49 973	45 %	59 %
InvestEU Fund	4 317	4 821	3 909	14 725		
Connecting Europe Facility - Transport	12 831	18 051	12 281	12 830	-29 %	4 %
Connecting Europe Facility - Energy	4 755	7 413	4 163	8 650	17 %	108 %
Connecting Europe Facility - Digital	1 039	1 383	991	3 000	117 %	203 %
Digital Europe Programme	179	182	169	9 194		
Other	8 892	1 360	8 872	200	-85 %	-98 %
Decentralised agencies	1 107	1 254	1 053	1 374	10 %	31 %
3. Single market	5 472	5 797	5 017	6 391	10 %	27 %
Single market programme (incl. COSME)	5 343	5 662	4 859	6 089	8 %	25 %
Of which under the Invest EU Fund:	*1 441*	*1 790*	*1 374*	*2 000*	*12 %*	*46 %*
EU Anti-fraud programme	154	166	153	181	9 %	18 %
Cooperation in the field of taxation (FISCALIS)	223	230	222	270	17 %	22 %
Cooperation in the field of customs (CUSTOMS)	529	524	526	950	81 %	81 %
Other	63	85	59	98	15 %	64 %
Decentralised agencies	601	921	572	804	-13 %	41 %
4. Space	11 284	13 122	11 274	16 235	24 %	44 %
European space programme	11 084	12 916	11 084	16 000	24 %	44 %
Decentralised agencies	200	206	190	235	14 %	23 %
Margin	-1 866	1 858	-1 866	12 198		

Headings Policy clusters	2014-2020 (EU-28+EDF)	7*2020 EU-27+EDF	2014-2020 (EU-27+EDF)	2021-2027	% change vs EU-27 2020*7	% change vs EU-27 2014-2020
2. Cohesion and values	**393 616**	**423 575**	**380 738**	**442 412**	**4 %**	**16 %**
5. Regional development and cohesion	275 960	299 948	268 218	273 240	-9 %	2 %
European Regional Development Fund	201 140	216 795	193 398	226 308	4 %	17 %
Cohesion Fund	74 589	82 917	74 589	46 692	-44 %	-37 %
Of which contribution to the Connecting Europe Facility - Transport	*11 306*	*12 464*	*11 306*	*11 285*	*-9 %*	*0 %*
Support for the Turkish-Cypriot Community	231	236	231	240	2 %	4 %
6. Economic and Monetary Union	280	614	275	25 113		
Reform support programme (incl. Reform Delivery Tool and Convergence Facility)	188	515	188	25 000		
Protection of the euro against counterfeiting	7	8	7	8	-6 %	5 %
Other	84	91	79	105	15 %	33 %
7. Investing in people, social cohesion and values	118 767	124 110	113 636	139 530	12 %	23 %
European Social Fund+	98 064	98 575	94 382	101 174	3 %	7 %
Of which health, employment and social innovation	*1 157*	*1 150*	*1 055*	*1 174*	*2 %*	*11 %*
Erasmus+	14 712	18 493	13 536	30 000	62 %	122 %
European Solidarity Corps	378	1 020	378	1 260	23 %	233 %
Creative Europe	1 477	1 600	1 381	1 850	16 %	34 %
Justice, rights and balues	947	943	893	947	0 %	6 %
Other	1 170	1 111	1 131	1 334	20 %	18 %
Decentralised agencies	2 018	2 368	1 936	2 965	25 %	53 %
Margin	-1 391	-1 097	-1 391	4 528		
3. Natural resources and environment	**420 015**	**394 659**	**391 849**	**378 920**	**-4 %**	**-3 %**
8. Agriculture and maritime policy	410 493	390 057	382 608	372 264	-5 %	-3 %
European Agricultural Guarantee Fund (EAGF)	302 797	284 803	280 351	286 195	0 %	2 %
European Agricultural Fund for Rural Development (EAFRD)	100 273	97 670	95 078	78 811	-19 %	-17 %
European Maritime and Fisheries Fund	6 382	6 468	6 139	6 140	-5 %	0 %
Other	947	998	946	990	-1 %	5 %
Decentralised agencies	94	118	94	128	8 %	36 %
9. Environment and climate action	3 718	4 020	3 437	5 739	43 %	67 %
Programme for environment and climate action (LIFE)	3 451	3 726	3 170	5 450	46 %	72 %
Decentralised agencies	267	294	267	289	-2 %	8 %
Margin	5 804	582	5 804	918		

Headings Policy clusters	2014-2020 (EU-28+EDF)	7*2020 EU-27+EDF	2014-2020 (EU-27+EDF)	2021-2027	% change vs EU-27 2020*7	% change vs EU-27 2014-2020
4. Migration and border management	**10 465**	**11 174**	**9 929**	**34 902**	**212 %**	**252 %**
10. Migration	7 516	6 993	7 085	11 280	61 %	59 %
Asylum and Migration Fund	7 063	6 226	6 650	10 415	67 %	57 %
Decentralised agencies	453	768	435	865	13 %	99 %
11. Border Management	5 543	6 192	5 439	21 331	245 %	292 %
Integrated Border Management Fund	2 734	2 417	2 734	9 318	285 %	241 %
Decentralised agencies	2 809	3 774	2 704	12 013	218 %	344 %
Margin	-2 595	-2 011	-2 595	2 291		
5. Security and defence	**2 014**	**4 062**	**1 941**	**27 515**		
12. Security	3 452	3 497	3 394	4 806	37 %	42 %
Internal Security Fund	1 180	1 056	1 179	2 500	137 %	112 %
Nuclear decommissioning (Lithuania)	451	478	451	552	15 %	22 %
Nuclear safety and decommissioning (incl. for Bulgaria and Slovakia)	904	961	883	626	-35 %	-29 %
Decentralised agencies	917	1 002	882	1 128	13 %	28 %
13. Defence	590	1 785	590	19 500		
European Defence Fund	590	1 785	590	13 000		
Military mobility	-	-	-	6 500		
14. Crisis response	1 225	1 238	1 209	1 400	13 %	16 %
Union civil protection mechanism (rescEU)	577	1 238	561	1 400	13 %	149 %
Other	648	p.m.	648	p.m.		
Margin	-3 253	-2 458	-3 253	1 809		
6. Neighbourhood and the World	**94 521**	**101 181**	**94 521**	**123 002**	**22 %**	**30 %**
15. External Action	83 709	85 646	83 709	105 219	23 %	26 %
Neighbourhood, Development and International Cooperation Instrument	70 428	74 067	70 428	89 500	21 %	27 %
Humanitarian aid	9 702	7 494	9 702	11 000	47 %	13 %
Common foreign and security policy (CFSP)	2 066	2 393	2 066	3 000	25 %	45 %
Overseas countries and territories (including Greenland)	582	599	582	500	-17 %	-14 %
Other	790	946	790	1 070	13 %	36 %
Decentralised agencies	141	147	141	149	2 %	6 %
16. Pre-accession assistance	12 799	12 177	12 799	14 500	19 %	13 %
Pre-accession assistance	12 799	12 177	12 799	14 500	19 %	13 %
Margin	-1 987	3 358	-1 987	3 283		

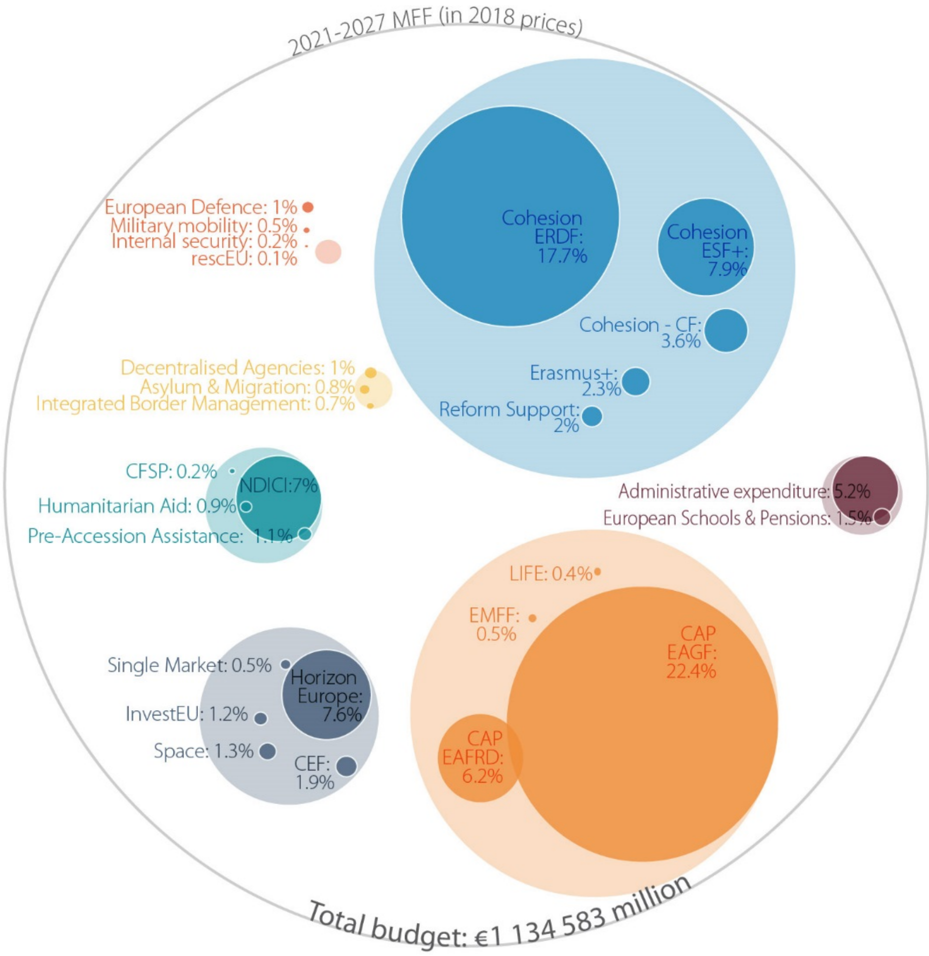
Headings Policy clusters	2014-2020 (EU-28+EDF)	7*2020 EU-27+EDF	2014-2020 (EU-27+EDF)	2021-2027	% change vs EU-27 2020*7	% change vs EU-27 2014-2020
7. European public administration	**69 584**	**78 778**	**69 584**	**85 287**	**8 %**	**23 %**
European Schools and Pensions	13 823	16 176	13 823	19 259	19 %	39 %
Administrative expenditure to the institutions	55 761	62 602	55 761	66 028	5 %	18 %
TOTAL	**1 115 919**	**1 151 866**	**1 063 101**	**1 279 408**	**11 %**	**20 %**
In % of GNI (EU27)	***1.03%***	***1.14%***	***1.16%***	***1.11 %***		
TOTAL Payments				**1 246 263**		
In % of GNI (EU27)				***1.08%***		

Source: Secretariat of the Committee on Budgets, European Parliament. Figures include estimates and are susceptible to change.

NOTES:

- Amounts presented under 'virtual' EU27 2014-2020 exclude the national envelope pre-allocated to the UK in shared management programmes (such as the funds of the Common Agricultural Policy, fisheries policy and cohesion policy), as well as EU-wide programmes (under direct and indirect management) estimated on the basis of past expenditure (2014-2017) and the extrapolated share for years 2018-2020. In order to ensure full comparability, the figures include the European Development Fund (EDF), which is currently outside of the MFF and which amounts to 0.03 % of EU-27 GNI. Most of the EDF has been allocated to the new Neighbourhood, Development and International Cooperation Instrument (approximately €27.2 billion) and to the Humanitarian aid programme and the programme for cooperation with overseas countries and territories (approximately €1 billion). One component of the current EDF, the African Peace Facility (approximately €2.3 billion), would remain outside the EU budget under the proposal, and become part of the European Peace Facility.
- Amounts under 7*2020 EU-27+EDF are calculated by multiplying 2020 allocations sevenfold. The Commission considers the final year of the current MFF to be a useful point of comparison.
- Amounts under the Horizon Europe and single market, programmes are counted twice and would be budgeted under InvestEU only.
- The European Strategic Investment Fund is included in 'Other' under policy cluster (2) European Strategic Investments.
- For the European Investment Stabilisation Function, an interest rate subsidy would be provided through external assigned revenues equivalent to a share of monetary income.
- The CAP comparison to 7*2020 accounts for all transfers between pillars. Comparisons before transfers would result in changes of -1 % for the EAGF and -15 % for the EAFRD.
- For the Neighbourhood, Development and International Cooperation Instrument, the allocation of €89 500 million includes €300 million for the Instrument for Nuclear Safety Cooperation, set up under a separate legal act.
- Humanitarian aid includes transfers from the Emergency Aid Reserve in 2015, 2016 and 2017 corresponding to appropriations carried over from 2014, 2015 and 2016, respectively.
- The figure under "Margin" in 2014-2020 reflects the arithmetic difference between the MFF ceilings and budgeted amounts.
- The funding for pilot projects and preparatory actions is allocated under 'margin'.
- EU-27 figures for 2014-2020 and 2020*7 are an estimate; 2018 reflects the budget as of April 2018 (i.e. before amending budgets).
- Current prices are calculated by applying annually a fixed deflator of 2 % to the amounts in 2018 prices. Totals do not tally due to rounding.

ANNEX 4 –Commission proposal for the 2021-2027 MFF, individual programmes as share of total (2018 prices)



Source: EPRS, based on data from the Secretariat of the Committe on Budgets, European Parliament.

The process of negotiating a new seven-year financial plan for the EU has now begun formally with the Commission's publication of proposals for a 2021-2027 Multiannual Financial Framework (MFF), and for a new system of own resources providing the revenue to pay for it. This analysis presents the proposed new MFF and own resources and compares them to the status quo, as well as to the European Parliament's priorities as expressed in plenary resolutions adopted in spring 2018.

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