COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Technical adjustment of the financial framework for 2017 in line with movements in GNI and adjustment of cohesion policy envelopes

(Article 6 and 7 of Council Regulation No 1311/2013 laying down the multiannual financial framework for the years 2014-2020)

1. introduction

Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020[[1]](#footnote-1) (MFF Regulation) as amended by Council Regulation (EU, Euratom) No 2015/623 of 21 April 2015[[2]](#footnote-2) and as adjusted in the technical adjustment for 2016[[3]](#footnote-3) contains the financial framework table for EU-28 for the period 2014-2020, expressed in 2011 prices (Table 1).

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

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

According to Article 7 of the MFF Regualation, the Commission shall in 2016, together with the technical adjustment of the financial framework for 2017, review all Member States' total allocations under the "Investment for growth and jobs" goal of the cohesion policy for the years 2017 -2020.

The purpose of this communication is to present to the Council and the European Parliament the result of the technical adjustments (EU-28) for 2017 according to Article 6 of the MFF Regulation and of the review of the cohesion envelopes and corresponding adjustment of the ceilings according to Article 7 of the MFF Regulation.

2. Adjustment of cohesion policy envelopes (Article 7)

Based on Article 7, the Commission shall review all Member States’ total allocations for the “Investment for Growth and Jobs” goal of cohesion policy for 2017-2020, applying the allocation method laid down in the relevant basic act[[4]](#footnote-4) on the basis of the most recent statistics available and of the comparison, for the capped Member States, between the cumulated national GDP observed for the years 2014-2015 and the cumulated national GDP estimated in 2012. The allocations shall be adjusted whenever there is a cumulative divergence of more than +/- 5%. Moreover, at the same time, Cohesion fund eligibility shall be reviewed and in case a Member States either becomes newly eligible for the Cohesion Fund or loses its existing eligibility, these amounts shall be added or substracted from the funds allocated to the Member State concerned for the years 2017 to 2020.

Article 7 (4) specifies that the adjustment required shall be spread in equal proportions over the years 2017 to 2020 and that the payment ceilings shall also be modified accordingly to ensure an orderly progression in relation to the appropriations for commitments. According to Article 7(5), the total net effect, whether positive or negative, of all these adjustments shall not exceed EUR 4 billion (in 2011 prices).

2.1. Results of the review of the cohesion envelopes

The review comprises:

1. For all Member States, the review of allocations for 2017-2020 based on the latest available statistics and applying the same method as for the establishment of the original allocations described in paragraphs 1 to 16 of Annex VII of Regulation (EU) N°1303/2013;
2. For the capped Member States (Bulgaria, Estonia, Croatia, Hungary, Lithuania, Latvia, Poland, Romania, Slovakia), the comparison of the observed GDP levels for 2014 and 2015 to the ones forecasted for the same two years in 2012;
3. The review of the Cohesion fund eligibility on the basis of GNI/head data for the period 2012-2014 in comparison to the EU-27 average.

For indicators related to national and regional accounts (GDP, GNI and population), the statistics used for the review of the cohesion policy envelopes cover the years 2012, 2013 and 2014. For indicators related to the labour market and the educational level, the statistics used cover the years 2013, 2014 and 2015.

The review of the Cohesion fund eligibility results in one case of eligibility change with Cyprus becoming fully eligible for Cohesion Fund support in 2017-2020, resulting in an additional amount of EUR 19.4 million.

Given the impact of the economic crisis on the socio-economic situation in the EU, the application of the allocation method based on the most recent statistics available would result in a total additional amount exceeding the maximum amount of EUR 4 bn in 2011 prices established in Article 7 (5). Therefore, the positive and negative adjustments are proportionally reduced to respect this limit[[5]](#footnote-5).

The table below shows, for each Member State, the original allocations for the years 2017-2020, the cumulative divergence resulting from the above mentioned calculations based on the most recent statistics available (to be set against the 5% threshold), the resulting adjustments respecting the maximum amount of EUR 4 billion, and the new adjusted allocations for 2017-2020.



The Commission will engage in discussions with Member States whose allocations are significantly increased with a view to focusing the additional amounts on measures to help tackling the migration crisis and youth unemployment and on investments through financial instruments and a combination with the European Fund for Strategic Investments, taking into account the needs and relevance of those priorities for each Member State.

2.2. Adjustment of the 2017-2020 ceilings for heading 1b

The required adjustments need to be spread in equal proportions over the years 2017-2020. Furthermore, the corresponding adjustments of the ceilings for sub-heading 1B of the Multiannual Financial Framework need to be made in million of euro. In order to recalculate the amounts in current prices, the 2% deflator per year as defined in Article 6(2) is applied.

The ceilings for commitment appropriations for heading 1B are therefore increased as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Commitments**(million EUR) | 2017 | 2018 | 2019 | 2020 | total |
| **2011 prices** | **1 000** | **1 000** | **1 000** | **1 000** | **4 000** |
| **current prices** | **1 126** | **1 149** | **1 172** | **1 195** | **4 642** |
| *deflator (2%)* | *1.126162* | *1.148686* | *1.171659* | *1.195093* |   |

2.3. Payment appropriations

Article 7 MFF provides that “*the payment ceilings shall also be modified accordingly to ensure an orderly progression in relation to the appropriations for commitments*”.

Hence, the annual ceilings for payment appropriations need to be modified on the basis of the payment profiles foreseen for the additional commitments under heading 1b. Given that most of the payments related to this increase in commitments are expected to occur post-2020, the increase in the payment ceilings remains limited.

The ceilings for payment appropriations are therefore increased as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Payments**(million EUR) | 2017 | 2018 | 2019 | 2020 | total |
| **2011 prices** | **120** | **161** | **392** | **493** | **1 166** |
| **current prices** | **135** | **184** | **459** | **589** | **1 367** |
| *deflator (2%)* | *1.126162* | *1.148686* | *1.171659* | *1.195093* |  |

 For the calculation of the payment profile, an indicative split of 50%:50% between ESF and ERDF has been applied in line with the intended concentration on the priority areas of migration, growth and (youth) employment.

3. Terms of the adjustment of the MFF table (Annex - tables 1-2)

Table 1 shows the financial framework for EU-28 in 2011 prices as included in Annex I of the MFF Regulation adjusted according to Articles 3(1), 5 and 7.

Table 2 shows the financial framework for EU-28 adjusted for 2017 (i.e. in current prices). The financial framework expressed in percentage of GNI is updated with the latest economic forecasts available (spring 2016) and long-term projections and is adjusted according to Articles 3(1), 5 and 7 of the MFF Regulation.

3.1. Total figure for GNI

According to the latest forecast available, the GNI for 2017 is established at EUR 14 989 356 million in current prices for EU-28. According to the Article 6 (4) no further technical adjustments are made in respect of the year concerned, either during the year or as ex-post corrections during subsequent years. Therefore for information only, the updated GNI is established at EUR 13 639 700 million for 2014, EUR 14 273 948 million for 2015 and EUR 14 500 042 million for 2016.

The GNI is based on system of national accounts ESA 95.

3.2. Main results of the technical adjustment of the MFF for 2017

The overall ceiling for commitment appropriations for 2017 (EUR 155 631 million) equals 1.04 % of GNI.

The corresponding overall ceiling concerning the payment appropriations (EUR 142 906 million) equals 0.95% of GNI. On the basis of the latest economic forecasts, this leaves a margin beneath the 1.23 % own resources ceiling of EUR 41 463 million (0.28% of GNI for EU-28).

3.3. Adjustment of the sub-ceiling for Heading 2

According to Article 3(1) of the MFF Regulation, the sub-ceiling for heading 2 for market related expenditure and direct payments (first pillar) in the period 2014 to 2020 shall be adjusted following the transfers between the first and second pillars (rural development) in accordance with the legal act establishing these transfers. The total amount of the Heading 2 ceiling does not change.

First adjustment: The sub-ceiling of Heading 2 was adjusted for the first time in the technical adjustment of the MFF for 2015[[6]](#footnote-6). This adjustment as detailed in the first table below was reflected in Commission Implementing Regulation (EU) No 367/2014 of 10 April 2014[[7]](#footnote-7).

Second adjustment: Two rounds of transfers between pillars of the CAP were reflected in the technical adjustment of the MFF for 2016[[8]](#footnote-8) (see second table below). These transfers covered the flexibility between pillars in accordance with Article 136a of Council Regulation (EC) No 73/2009[[9]](#footnote-9) and Article 14 of Regulation (EU) No 1307/2013[[10]](#footnote-10), and also the estimated product of reductions to direct payments in accordance with Article 7(2) of this last regulation. The first round of transfers is set out in Commission Delegated Regulation (EU) No 994/2014 of 13 May 2014[[11]](#footnote-11) and reflected in Commission Implementing Regulation (EU) No 1089/2014 of 16 October 2014[[12]](#footnote-12). The second round of transfers is set out in Commission Delegated Regulation (EU) No 1378/2014 of 17 October 2014[[13]](#footnote-13) and reflected in Commission Implementing Regulation (EU) 2015/141 of 29 January 2015[[14]](#footnote-14).

In the United Kingdom, the legislation implementing the Union rules on direct payments in Wales was annulled by a national court order in 2015. As a consequence of new decisions subsequently taken by the United Kingdom, the estimated product of reduction transferred from direct payments to rural development decreases by EUR 4 million in the period 2016-2020. This change is set out in Commission Delegated Regulation (EU) 2016/142 of 2 December 2015[[15]](#footnote-15) and is reflected in Commission Implementing Regulation 2016/257 of 24 February 2016[[16]](#footnote-16). The new amount is included in the proposed change of the sub-ceiling in this technical adjustment (see third table below).







The modification of the H2 sub-ceiling in current prices needs to be translated into 2011 prices in order to technically adjust the MFF table in 2011 prices. For this purpose the EAGF net balance is first transformed into 2011 prices by using the 2% fixed deflator. This is then rounded up to obtain the adjusted H2 sub-ceiling as the MFF ceilings are only expressed in millions of euros. Only with this rounding-up procedure it can be ensured that the MFF sub-ceiling is always higher than the net balance available for EAGF expenditure. The resulting small difference does not constitute an available margin, but is exclusively arising from the rounding operation as all figures in the MFF table need to be expressed in millions of euro. For each annual budget, the Commission will use the exact amounts of the net balance available for EAGF expenditure. The same approach was applied in the technical adjustments for 2015 and 2016.

The table below shows the net result of the transfers between the two pillars of CAP and their impact for Heading 2 subceiling.



Member States may review their decisions related to the flexibility between pillars in respect of financial years 2019 and 2020 and they have to notify such possible changes to the Commission by 1 August 2017.

4. Global Margin for Payments (GMP)

According to Article 5 of the MFF Regulation, the Commission shall adjust the payment ceiling for the years 2015-2020 upwards by an amount equivalent to the difference between the executed payments and the MFF payment ceiling of the year n-1. Any upward adjustment shall be fully offset by a corresponding reduction of the payment ceiling for year n-1.

In the technical adjustment for 2016, the remaining margin of 2014 (EUR 104 million) was transferred to 2015 (EUR 106 million) and the ceilings were adjusted accordingly. In this year's technical adjustment the GMP for 2015 is calculated.

The payments for other special instruments are treated as being over and above the MFF ceilings[[17]](#footnote-17). The 2015 payment ceiling was EUR 142 007 million in current prices. The payments executed in 2015 amount to EUR 141 126.2 million. This amount consists of the executed payments of the payment appropriations authorised in the 2015 budget (EUR 139 827.3 million) and carry-overs from 2015 to 2016 (EUR 1 298.9 million)[[18]](#footnote-18). The payments for special instruments are excluded from the execution (EUR 378.7 million, consisting of EUR 378.1 million executed and EUR 0.6 million carried-over). Therefore the execution taken into account for the calculation of the GMP is EUR 140 747.5 million.

All carry-overs from 2014 to 2015 were counted as executed for the purposes of the calculation of the 2014 GMP but not all of them were actually executed. Therefore the lapsed carry-overs need to be added to the calculation as they in fact constitute underexecution. The lapsed carry overs from 2014 to 2015 amount to EUR 28.6 million, of which EUR 0.2 million for the Special instruments[[19]](#footnote-19). The total amount of the lapsed carry overs taken into account is thus EUR 28.4 million.

The remaining margin under the 2015 payment ceiling is EUR 1 287.9 million in current prices (i.e. EUR 142 007 million – EUR 140 747.5 + EUR 28.4 million).

According to Article 6(2) of the MFF Regulation, the 2% deflator shall be used for the calculation of the GMP and the corresponding adjustment of the ceilings. The 2015 ceiling is therefore reduced by EUR 1 288 million in current prices or EUR 1 190 million in 2011 prices.

In line with the expected profile of payment needs, the GMP is transferred to the payment ceilings of the years 2018 to 2020 by one third of the 2015 amount each, which corresponds to an increase in current prices of EUR 455 million in 2018, EUR 465 million in 2019 and EUR 474 million in 2020. In 2011 prices, the increases correspond to EUR 396 million in 2018, EUR 397 million in 2019 and EUR 397 million in 2020.

This results in an unchanged overall payment ceiling for the period 2014-20 in 2011 prices and an increase of the overall payment ceiling by EUR 106 million in current prices.

The table below shows the details of the calculation of the GMP for 2015.



The table below shows the corresponding adjustments of the payment ceilings :



5. Special Instruments

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

5.1. Emergency Aid Reserve

According to Article 9 of the MFF Regulation, the *Emergency Aid reserve* can be mobilised up to a maximum amount of EUR 280 million per year in 2011 prices, or EUR 315 million in 2017 at current prices (EUR 2 209 million for the whole period in current prices). The portion of the unused amount of the previous year can be carried over to the following year. EUR 219.4 million was carried over from 2015 to 2016, EUR 309 million was made available in 2016. EUR 150 million is included in the 2016 budget. The amount of carry-over to 2017 will depend on the final implementation in 2016.

5.2. European Union Solidarity Fund

According to Article 10 of the MFF Regulation, the *EU Solidarity Fund* can be mobilised up to a maximum amount of EUR 500 million per year in 2011 prices, or EUR 563 million in 2017 at current prices (EUR 3 945 million for the whole period in current prices). The portion of the unused amount of the previous year can be carried over to the following year. EUR 491.2 million was carried over from 2015 to 2016; EUR 552 million was made available in 2016. The carry-over to 2017 will depend on the final implementation in 2016.

5.3. Flexibility Instrument

According to Article 11 of the MFF Regulation, the *Flexibility Instrument* can bemobilised up to a maximum annual amount of EUR 471 million in 2011 prices, or EUR 530 million in 2017 in current prices (EUR 3 716 million for the whole period in current prices). The portion of the unused annual amounts of the previous 3 years may be carried over. All appropriations from previous years have been used, nothing will be carried-over to 2017.

5.4. European Globalisation Adjustment Fund

According to Article 12 of the MFF Regulation, the *European Globalisation Adjustment Fund* can be mobilised up to a maximum of EUR 150 million per year in 2011 prices, or EUR 169 million in 2017 in current prices (EUR 1 183 million for the whole period in current prices).

5.5. Contingency Margin

According to Article 13 of the MFF Regulation, a Contingency Margin of up to 0.03 % of the Gross National Income of the Union shall be constituted outside the ceilings of the financial framework for the period 2014‑2020.

The absolute amount of the Contingency Margin for the year 2017 is EUR 4 496.8 million.

5.6. Global margin for commitments for growth and employment, in particular youth employment (GMC)

According to Article 14 of the MFF Regulation, margins left available below the MFF ceilings for commitment appropriations for the years 2014-2017 shall constitute a Global MFF Margin for commitments (GMC), to be made available over and above the ceilings established in the Annex of the MFF Regulation for the years 2016 to 2020 for policy objectives related to growth and employment, in particular youth employment.

The margin left available under the commitment ceiling in 2015 amounts to EUR 1 383.2 million. This corresponds to the amount of margins under the ceiling for commitment appropriations in the final budget 2015. The commitments on Special instruments are not taken into account as they are implemented over and above the MFF ceilings.

According to Article 6(2) of the MFF Regulation, the 2% deflator shall be used for the calculation of the GMC. The amount of the remaining margin from 2015 which shall be made available for 2016 corresponds to EUR 1 410.9 million in current prices in 2016 or EUR 1 439.1 million in current prices in 2017[[20]](#footnote-20). The amount of GMC in 2011 prices corresponds to EUR 1 277.9 million.

The table below shows the details of the calculation of the GMC.

|  |  |
| --- | --- |
|  | *EUR million* |
| Ceiling CA 2015 | 162 959.0 |
| Total authorised appropriations budget 2015 | 162 273.3 |
| of which special instruments: | 697.6 |
| European Union Solidarity Fund | 82.8 |
| European Globalisation Adjustment Fund | 162.4 |
| Emergency Aid Reserve | 303.0 |
| Flexibility instrument | 149.4 |
|   |   |
| **Global margin for commitments 2015 (2015 prices)** | **1 383.2** |
| *Global margin for commitments 2015 (2011 prices)* | *1 277.9* |
| **GMC available in 2016 (2016 prices)** | **1 410.9** |
| **GMC available in 2017 (2017 prices)** | **1 439.1** |

The amount of GMC originating from 2014 identified in the technical adjustment for 2016 (EUR 543 million) was allocated in the budget 2016 for EFSI. Out of the GMC originating from 2015 identified in this technical adjustment an amount of EUR 1 265 million is also pre-allocated for EFSI for 2017.

6. summary table and conclusions

The tables below summarise the changes to the ceilings for commitment and payment appropriations in the financial framework based on Articles 3(1), 5 and 7 in current and 2011 prices:





1. OJ L 347, 20.12.2013, p. 884. [↑](#footnote-ref-1)
2. OJ L 103, 22.4.2015, p.1. [↑](#footnote-ref-2)
3. COM(2015) 320 final of 22.5.2015. [↑](#footnote-ref-3)
4. Annex VII of the Regulation (EU) No 1303/2013 of the EP and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006; OJ L 347, 20.12.2013, p. 320. [↑](#footnote-ref-4)
5. As Article 7(3) of the MFF Regulation treats the effects of the review of Cohesion Fund eligibility separately, the amount resulting from it is not subject to the proportional adjustment operated to respect the maximum amount of EUR 4 billion in 2011 prices set in the MFF Regulation. [↑](#footnote-ref-5)
6. COM(2014) 307 final (28.5.2014) [↑](#footnote-ref-6)
7. Commission Implementing Regulation (EU) No 367/2014 setting the net balance available for EAGF expenditure (OJ L 108, 11.4.2014, p. 13) [↑](#footnote-ref-7)
8. COM(2015) 320 final (22.05.2015) [↑](#footnote-ref-8)
9. Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003 (OJ L 30, 31.1.2009, p. 16). [↑](#footnote-ref-9)
10. Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (OJ L 347, 20.12.2013, p. 608). [↑](#footnote-ref-10)
11. Commission Delegated Regulation (EU) No 994/2014 of 13 May 2014 amending Annexes VIII and VIIIc to Council Regulation (EC) No 73/2009, Annex I to Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Annexes II, III and VI to Regulation (EU) No 1307/2013 of the European Parliament and of the Council (OJ L 280, 24.9.2014, p.1). [↑](#footnote-ref-11)
12. Commission Implementing Regulation (EU) No 1089/2014 of 16 October 2014 amending Implementing Regulation (EU) No 367/2014 setting the net balance available for EAGF expenditure (OJ L 299, 17.10.2014, p. 7). [↑](#footnote-ref-12)
13. Commission Delegated Regulation (EU) No 1378/2014 of 17 October 2014 amending Annex I to Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Annexes II and III to Regulation (EU) No 1307/2013 of the European Parliament and of the Council (OJ L 367, 23.12.2014, p. 16). [↑](#footnote-ref-13)
14. Commission Implementing Regulation (EU) 2015/141 of 29 January 2015 amending Implementing Regulation (EU) No 367/2014 setting the net balance available for EAGF expenditure (OJ L 24, 30.1.2015, p.11). [↑](#footnote-ref-14)
15. Commission Delegated Regulation (EU) 2016/142 of 2 December 2015 amending Annex I to Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Annex III to Regulation (EU) No 1307/2013 of the European Parliament and of the Council (OJ L 28, 4.2.2016, p.8). [↑](#footnote-ref-15)
16. Commission Implementing Regulation (EU) 2016/257 of 24 February 2016 amending Implementing Regulation (EU) No 367/2014 setting the net balance available for EAGF expenditure (OJ L 49, 25.02.2016, p.1). [↑](#footnote-ref-16)
17. Should the European Parliament, the Council and the Commission agree otherwise on payments for special instruments, the Commission shall take account of that agreement when calculating the GMP in future technical adjustments. [↑](#footnote-ref-17)
18. Should any of the carry-overs from 2015-2016 lapse in 2016 the corresponding amount will be added to the calculation of the GMP in 2017. [↑](#footnote-ref-18)
19. EUR 35.9 million of carry-over of EGF expenditure was taken into account for the calculation of the 2014 GMP. It consisted of EUR 35.53 million for operational expenditure and EUR 0.33 million for technical assistance. All the operational expendiure were executed. Out of the EUR 0.33 million of TA, only EUR 0.11 million was actually executed. [↑](#footnote-ref-19)
20. Should the whole or part of the amount be used in the years 2018-20, the amount shall be adjusted correspondingly by applying the 2% deflator in accordance with Article 6(2) of the MFF Regulation. [↑](#footnote-ref-20)