introduction

The MFF Regulation as amended by Council Regulation (EU, Euratom) No 2015/623 of 21 April 2015[[1]](#footnote-2) and as adjusted in the technical adjustment for 2018[[2]](#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% annual 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[[3]](#footnote-4).

At the same time the Commission calculates the margin available under the own-resources ceiling set in accordance with the new Own Resource Decision 2014/335/EU, Euratom (ORD2014)[[4]](#footnote-5), the absolute amount of the Contingency Margin provided for in Article 13 of the MFF Regulation, the global margin for payments provided for in Article 5, and the global margin for commitments provided for in Article 14. In addition, the sub-ceiling for heading 2 concerning market related expenditure and direct payments shall be adjusted following transfers between pillar I and rural development.

With the ORD 2014 in force the ceilings of own resources and the ceiling for appropriations for commitments were adapted to the new GNI data according to the European System of Accounts (ESA 2010). The maximum amount of own resources is now established at 1,20% of GNI (previously set at 1,23%) and the maximum amount of commitments at 1,26% of GNI (previously set at 1,29%)[[5]](#footnote-6).

The United Kingdom has notified their intention under Article 50 of TEU to leave the European Union on 30 March 2019. Nonetheless for the purpose of this technical adjustment the United Kingdom is counted as a Member State. Point 59 of the Joint Report from the negotiators of the European Union and the United Kingdom Government[[6]](#footnote-7) and the Communication from the Commission to the European Council[[7]](#footnote-8) foresee that “the UK will contribute to, and participate in, the implementation of the Union annual budgets for the years 2019 and 2020 as if it had remained in the Union.”

The purpose of this communication is to present to the Council and the European Parliament the result of the technical adjustments (EU-28) for 2019 according to Article 6 of the MFF Regulation.

2. 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) and 5.

Table 2 shows the financial framework for EU-28 adjusted for 2019 (i.e. in current prices). The financial framework expressed in percentage of GNI is updated with the latest economic forecasts available (Spring 2018) and is adjusted according to Articles 3(1) and 5 of the MFF Regulation.

2.1. Total figure for GNI

According to the latest forecast available, the GNI for 2019 is established at EUR 16 489 019 million in current prices for EU-28. According to the Article 6 (4) of the MFF Regulation 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 according to ESA 2010 is established at EUR 14 029 175 million for 2014, EUR  14 716 840 million for 2015, EUR  14 847 036 million for 2016, EUR  15 294 451 million for 2017 and EUR  15 892 594 million for 2018. For the same reason, the own resources ceiling currently established at 1,20% of GNI (ESA 2010) is adjusted only from 2018 onwards in the MFF table in the annex. For 2017 and previous years the own resources ceiling is shown at 1,23% of GNI based on ESA95.

2.2. Main results of the technical adjustment of the MFF for 2019

The overall ceiling for commitment appropriations for 2019 (EUR 164 123 million) equals 1,00% of GNI.

The corresponding overall ceiling concerning the payment appropriations (EUR 166 709 million) equals 1,01% of GNI. On the basis of the latest economic forecasts, this leaves a margin beneath the 1,20% own resources ceiling of EUR 31 159 million (0,19% of GNI for EU-28).

2.3. 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 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[[8]](#footnote-9). This adjustment as detailed in the first table below was reflected in Commission Implementing Regulation (EU) No 367/2014 of 10 April 2014[[9]](#footnote-10).

Second adjustment: Two rounds of transfers between pillars of the CAP were reflected in the technical adjustment of the MFF for 2016[[10]](#footnote-11) (see second table below). These transfers covered the flexibility between pillars in accordance with Article 136a of Council Regulation (EC) No 73/2009[[11]](#footnote-12) and Article 14 of Regulation (EU) No 1307/2013[[12]](#footnote-13), 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[[13]](#footnote-14) and reflected in Commission Implementing Regulation (EU) No 1089/2014 of 16 October 2014[[14]](#footnote-15). The second round of transfers is set out in Commission Delegated Regulation (EU) No 1378/2014 of 17 October 2014[[15]](#footnote-16) and reflected in Commission Implementing Regulation (EU) 2015/141 of 29 January 2015[[16]](#footnote-17).

An unforeseen minor adjustment was made when the legislation implementing the Union rules on direct payments in Wales was annulled by a national court order in 2015. This change is set out in Commission Delegated Regulation (EU) 2016/142 of 2 December 2015[[17]](#footnote-18) and is reflected in Commission Implementing Regulation 2016/257 of 24 February 2016[[18]](#footnote-19).

The last round of of transfers between pillars in respect of financial years 2019 and 2020 were notified to the Commission by 1 August 2017 and they are set out in Commission Delegated Regulation (EU) No 162/2018 of 23 November 2017[[19]](#footnote-20) and is reflected in Commission Implementing Regulation 2018/288 of 19 February 2018[[20]](#footnote-21) (see the fourth 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 previous technical adjustments of the MFF.

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



3. 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 constant 2011 prices.

In the technical adjustment for 2016, the remaining margin of 2014 (EUR 104 million in current prices) was transferred to 2015 (EUR 106 million in current prices) and the ceilings were adjusted accordingly. In the technical adjustment for 2017 the remaining margin of 2015 (EUR 1 288 million) was transferred to the years 2018-2020. In the technical adjustment for 2018 the remaining margin of 2016 (EUR 13 991 million) was transferred to the years 2018-2020. In this year's technical adjustment the GMP for 2017 is calculated.

The payments for other special instruments are treated as being over and above the MFF ceilings[[21]](#footnote-22). The 2017 payment ceiling was EUR 142 906 million in current prices. After the offsetting of the amount used under the Contingency Margin in 2014 (EUR 2 818,2 million) the remaining payment ceiling used for comparison is EUR 140 087,8 million. The payments executed in 2017 amount to EUR 126 486,6 million. This amount consists of the executed payments of the payment appropriations authorised in the 2017 budget (EUR 124 690,6 million;) and carry-overs from 2017 to 2018 (EUR 1 796,0 million)[[22]](#footnote-23). The payments for special instruments are excluded from the execution (EUR 2 713,3 million, consisting of EUR 2713,1 million executed and EUR 0,2 million carried-over). Therefore the execution taken into account for the calculation of the GMP is EUR 123 773,3 million (EUR 124 690,6 million + EUR 1 796,0 million – EUR 2 713,3 million).

All carry-overs from 2016 to 2017 were counted as executed for the purposes of the calculation of the 2016 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 2016 to 2017 amount to EUR 99,3 million, of which EUR 0,04 million for the special instruments. The total amount of the lapsed carry-overs taken into account is thus EUR 99,2 million.

The remaining margin under the 2017 payment ceiling is EUR 16 413,7 million in current prices (i.e. EUR 142 906 million – EUR 2 818,2 million - EUR 123 773,3 + EUR 99,2 million). The 2017 ceiling is therefore reduced by EUR 16 414 million in current prices or EUR 14 575 million in 2011 prices.

According to Article 6(2) of the MFF Regulation, the 2% annual deflator shall be used for the calculation of the GMP and the corresponding adjustment of the ceilings. The GMP is transferred to the payment ceilings of the years 2019 and 2020. In 2011 prices EUR 6 379 million is transferred to 2019 (reaching the maximum allowed EUR 11 billion in 2011 prices) and EUR 8 196 million is transferred to 2020 (leaving EUR 183 million below the maximum of EUR 13 billion adjustment). It corresponds to an increase in current prices of EUR 7 474 million in 2019 and EUR 9 795 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 855 million in current prices.

The table below shows the details of the calculation of the GMP for 2017.



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



4. Special Instruments

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

4.1. Emergency Aid Reserve

According to Article 9 of the amended MFF Regulation the Emergency Aid Reserve can be mobilised up to a maximum amount of EUR 300 million per year in 2011 prices, or EUR 351,5 million in 2019 at current prices (EUR 2 301,4 million for the whole period in current prices). The unused amount of the previous year can be carried over to the following year. The carry-over from 2017 to 2018 amounts to EUR 61,7 million.

The table below shows the details of the annual availabilities and usage of the EAR since 2014:



4.2. 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 585,8 million in 2019 at current prices (EUR 3 944,7 million for the whole period in current prices). The unused amount of the previous year can be carried over to the following year. The carry-over from 2017 to 2018 amounts to EUR 140,8 million. No amount lapsed at the end of 2017. EUR 294 million of the 2018 portion was frontloaded to 2017, in order to provide sufficient financing to the needs (earthquakes in Italy).

The table below shows the details of the annual availabities and usage of the EUSF since 2014:



4.3. Flexibility Instrument

According to Article 11 of the amended MFF Regulation the Flexibility Instrument can be mobilised up to a maximum annual amount of EUR 600 million in 2011 prices, or EUR 703 million in 2019 in current prices (EUR 4 315 million for the whole period in current prices). The unused annual amounts of the previous 3 years may be carried over.

According to Article 6(1)f refering to Art 11(1) second subparagraph each year, starting in 2017, the annual amount available for the Flexibility Instrument shall be increased by the amounts equivalent to the portion of the annual amount for the European Union Solidarity Fund and the European Globalisation Adjustment Fund which have lapsed in the previous year.

The table below shows the details of the annual availabilities and usage of the Flexibility Instrument since 2014:



4.4. 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 175,7 million in 2019 in current prices (EUR 1 183,4 million for the whole period in current prices). Unused amounts of previous years cannot be carried over. The amount of EUR 151 million which lapsed at the end of 2017 is used to increase Flexibilty Instrument in 2018.

The table below shows the details of the annual availabilities and usage of the EGF since 2014:



4.5. 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 2019 is EUR 4 946,7 million.

4.6. Global Margin for Commitments for growth and employment, in particular youth employment, and for migration and security measures (GMC)

According to Article 14 of the MFF Regulation, as amended by Council Regulation (EU, Euratom) No 2017/1123, margins left available below the MFF ceilings for commitment appropriations shall constitute a Global Margin for Commitments, to be made available over and above the ceilings established in the MFF for the years 2016 to 2020 for policy objectives related to growth and employment, in particular youth employment, and to migration and security.

In the final budget 2017 the margin left available under the commitment ceiling in 2017 amounts to EUR 1 115,5 million. The commitments on Special instruments (including the use of GMC and the Contingency margin) 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% annual deflator shall be used for the calculation of the GMC. The amount of the remaining margin from 2017 which shall be made available for 2018 corresponds to EUR 1 115,5 million in current prices in 2017 or EUR 1 137,8 million in current prices in 2018[[23]](#footnote-24) (EUR 1 160,6 million in current prices in 2019). The amount of GMC in 2011 prices corresponds to EUR 990,5 million.

The table below shows the details of the calculation of the GMC 2017:



Currently, a portion of the GMC 2016 (EUR 550,9 million in 2018 prices) remains available. The overall availability of the GMC in 2018 is therefore EUR 1 688,7 million (in current prices).

The table below shows the details of the availabilities and usage of the GMC since 2014:



5. 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) and 5 of the MFF Regulation in current and 2011 prices:



1. OJ L 103, 22.4.2015, p.1. [↑](#footnote-ref-2)
2. COM(2017)473 final of 15.9.2017. [↑](#footnote-ref-3)
3. https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2018-economic-forecast\_en [↑](#footnote-ref-4)
4. OJ L 168, 7.6.2014. [↑](#footnote-ref-5)
5. COM(2016) 829 final, 21.12.2016. [↑](#footnote-ref-6)
6. Joint Report From The Negotiators Of The European Union And The United Kingdom Government On Progress During Phase 1 Of Negotiations Under Article 50 TEU On The United Kingdom's Orderly Withdrawal From The European Union, 8 December 2017, pp 9 [↑](#footnote-ref-7)
7. COM(2017)784 final, pp. 10 [↑](#footnote-ref-8)
8. COM(2014) 307 final (28.5.2014) [↑](#footnote-ref-9)
9. 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-10)
10. COM(2015) 320 final (22.05.2015) [↑](#footnote-ref-11)
11. 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-12)
12. 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-13)
13. 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-14)
14. 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-15)
15. 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-16)
16. 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-17)
17. 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-18)
18. 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-19)
19. Commission Delegated Regulation (EU) 2018/162 of 23 November 2017 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 30, 2.2.2018, p. 6). [↑](#footnote-ref-20)
20. Commission Implementing Regulation (EU) 2018/288 of 19 February 2018 amending Implementing Regulation (EU) No 367/2014 setting the net balance available for EAGF expenditure (OJ L 55, 27.02.2018, p.18). [↑](#footnote-ref-21)
21. 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-22)
22. Should any of the carry-overs from 2017 to 2018 lapse in 2018 the corresponding amount will be added to the calculation of the GMP in 2019. [↑](#footnote-ref-23)
23. Should the whole or part of the amount be used in the years 2019-20, the amount shall be adjusted correspondingly by applying the 2% annual deflator in accordance with Article 6(2) of the MFF Regulation. [↑](#footnote-ref-24)