



**COUNCIL OF  
THE EUROPEAN UNION**

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**NOTE**

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

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- 1. In the framework of discussions on the future Multiannual Financial Framework, the Presidency submits to delegations a revised version of the Negotiating Box.*
- 2. Following discussion at the informal meeting of Ministers and Secretaries of State for European Affairs in Nicosia on 30 August and the new calendar for the MFF negotiation, the Presidency decided not to present, at this stage, compromise proposals for amounts, either global or per heading. This Negotiating Box includes however a number of policy choices which, in the Presidency's assessment, respond to the overall picture resulting from discussions held until now within the Council. These choices resulted in a reduction of options in the Negotiating Box and aim to allow for progress on the way towards the final agreement. When preparing this document, the Presidency was guided by the key elements of the issues paper of 20 August.*

3. *The Presidency continues to believe that it is inevitable that the total level of expenditure proposed by the Commission, including all elements inside and outside of the MFF, will have to be adjusted downwards.*
  
4. *Consequently, all headings, sub-headings and sub-ceiling will need to be subject to reduction efforts, taking into account the overview of delegations' key priorities and concerns. In weighting potential reductions, a number of interrelated key elements should be taken into account:*
  - *the need for appropriate financing to fulfil the Treaty objectives of a given policy;*
  - *the contribution of a given policy towards the overall objectives of the Union and notably to growth and jobs;*
  - *the level and balance of expenditure proposed by the Commission as compared to the current MFF;*
  - *the relative size of the Headings;*
  - *the cost effectiveness of different elements of headings/policies/instruments;*
  - *the European added value of policies*
  
5. *Against the principle of reductions set out in point 4, the Presidency introduced indicative ranges in some places which will be filled in at a later stage. Where the figures appearing in these ranges are those of the Commission proposal, this does not prejudge of future Presidency proposals. Furthermore, the Presidency considers that some issues need further detailed discussions, these are highlighted in footnotes..*

6. *It is recalled that the document is drawn up and developed under the responsibility of the Presidency. It is therefore not binding on any delegation. The Presidency continues to be guided by the principle that nothing is agreed until everything is agreed. The Negotiating Box draws on input from discussions at the Council, the bilateral meetings held by the Presidency with Member State delegations and the informal meeting of Ministers and Secretaries of State for European Affairs held in 30 August. It has an evolving character and gradually, as the process advances, it will be updated following discussions within the Council.*
  
  7. *The Presidency has taken good note of the comments made by delegations on all issues during the preparatory discussions. The Presidency considers that discussions at the General Affairs Council need to be sharp and more focused, given that it is crucial to agree at the level of the European Council in November 2012 with a view to reaching an agreement by the end of 2012 as requested by the June European Council. Ministers are therefore invited to comment only on the new elements of the Box, leaving aside other issues on which positions are well known. **Interventions will be limited to a maximum of 3 minutes.***
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## GENERAL

1. Over recent years the European Union and its Member States have taken important steps in response to the challenges raised by the economic and financial crisis. Looking to the future, the next Multiannual Financial Framework (MFF) must ensure that the European Union's budget is geared to lifting Europe out of the crisis. The European Union's budget must be a catalyst for growth and jobs across Europe, notably by leveraging productive and human capital investments. Within the future Multiannual Financial Framework, spending should be mobilised to support growth, employment, competitiveness and convergence, in line with the Europe 2020 Strategy. At the same time, as fiscal discipline is reinforced in Europe, it is essential that the future MFF reflects the consolidation efforts being made by Member States to bring deficit and debt onto a more sustainable path. The value of each euro spent must be carefully examined ensuring that the European Added Value and quality of spending under the future MFF are enhanced not least by pooling resources, acting as a catalyst and offering economies of scale, positive trans boundary and spill-over effects thus contributing to the achievement of agreed common policy targets more effectively or faster and reducing national expenditure. Sustainable growth and employment will only resume if a consistent and broad-based approach is pursued, combining smart fiscal consolidation that preserves investment in future growth, sound macroeconomic policies and an active employment strategy that preserves social cohesion. EU policies must be consistent with the principles of subsidiarity, proportionality and solidarity as well as provide real added value.
2. The future financial framework must not only ensure the appropriate level of expenditure, but also its quality. The quality of expenditure will allow for a better development of the policies, taking full advantage of the opportunities they provide in terms of European value added, in particular in times of heavy constraint on the national budgets. Efforts, therefore, towards improving the quality of spending of the Union's funds need to include, *inter alia*, the better governance of the policies including certain conditionalities, flexibility, positive incentives, concentration of funds on growth-enhancing measures, emphasis on results, simplification in delivery, appropriate technical assistance, and an appropriate use of financial instruments.

3. The new MFF will cover the seven years between 2014 and 2020 and be drawn up for a European Union comprising 28 Member States on the working assumption that Croatia will join the Union in 2013.
4. Expenditure will be grouped under six headings designed to reflect the Union's political priorities and providing for the necessary flexibility in the interest of efficient allocation of resources.

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

- Sub-Heading 1a "Competitiveness for growth and jobs" which will include the CEF;
  - Sub-Heading 1b "Economic, social and territorial cohesion";
  - Heading 2 "Sustainable growth: natural resources" which will include a sub-ceiling for market related expenditure and direct payments;
  - Heading 3 "Security and citizenship";
  - Heading 4 "Global Europe";
  - Heading 5 "Administration" which will include a sub-ceiling for administrative expenditure;
  - Heading 6 "Compensations"
5. The maximum total figure for expenditure for EU 28 for the period 2014-2020 is EUR X million in appropriations for commitments, representing X% of EU GNI and EUR X million in appropriations for payments, representing X% of EU GNI. The breakdown of appropriations for commitments is described below. The same figures are also set out in the table contained in Annex I which equally sets out the schedule of appropriations for payments. All figures are expressed using constant 2011 prices. There will be automatic annual technical adjustments for inflation.

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

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

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

7. The RAL (reste à liquider) is an inevitable by-product of multi-annual programming and differentiated appropriations. However, for various reasons, excessive RAL will result by the end of the financial framework for 2007- 2013. In order, therefore, to ensure a manageable level and profile for the payments in all headings several initiatives are an integral part of the agreement on the financial framework 2014-2020:

- the levels of commitments are set at an appropriate level in all headings ;
- decommitments rules will be applied strictly in all headings, in particular the rules for automatic decommitments as defined in paragraph 76;
- pre-financing rates are [reduced compared to earlier/abolished] according to paragraph 75 of this agreement
- [other possible elements to be explored within the current scope of the Negotiating Box].

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

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



## **PART I : EXPENDITURE**

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

11. Smart and inclusive growth corresponds to an area where EU action has significant value added. The programmes under this Heading have a high potential to contribute to the fulfilment of the Europe 2020 Strategy, in particular as regards the promotion of research, innovation and technological development; specific action in favour of the competitiveness of enterprises and SMEs; investing in human skills through the ERASMUS for all programme; and developing the social agenda. In allocating funding within this Heading, particular priority shall be given to delivering a substantial and progressive enhancement of the EU's research, education and innovation effort, including through simplification of procedures.
12. The level of commitments for this Sub-Heading, which represents X% annual real growth compared to 2013, will not exceed<sup>1</sup> :

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

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<sup>1</sup> As indicated in point 4 of the cover note, this sub-heading, like all the others, will need to be subject to reduction efforts.

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

#### *CONNECTING EUROPE FACILITY*

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

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

OR

[There will be no transfer from the Cohesion Fund to the Connecting Europe Facility.]

16. The three large infrastructure projects of Galileo, ITER and GMES will be financed under sub-heading 1a. In order to ensure sound financial management and financial discipline, the maximum level of commitments for each of these projects will be laid down in the MFF Regulation as follows:
- a) Galileo: EUR [X to Y]
  - b) ITER: EUR [X to Y]
  - c) GMES: EUR [X to Y]
17. In order to support nuclear safety in Europe [support will continue to] OR [a final support will] be granted to the decommissioning of the following nuclear power plants:
- [x] million euro to Ignalina in Lithuania for the period [2014 – x];
  - [x] million euro to Bohunice in Slovakia for the period [2014 – x];
  - [x] million euro to Kozloduy in Bulgaria for the period [2014 – x].

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

### **COHESION POLICY**

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

#### *Overall level of allocations*

20. The level of commitments for sub-Heading 1b "Economic, social and territorial cohesion" will not exceed :

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

21. Resources for the "Investment for growth and jobs" goal will amount to a total of EUR [X to Y] and will be allocated as follows:
- (a) a total of EUR xx for less developed regions;
  - (b) [a total of EUR xx for transition regions;]
  - (c) a total of EUR xx for more developed regions;
  - (d) a total of EUR xx for Member States supported by the Cohesion Fund;
  - (e) a total of EUR xx as additional funding for the outermost regions identified in Article 349 of the Treaty and the northern sparsely populated regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the Treaty of Accession of Austria, Finland and Sweden.
22. Resources for the "European territorial cooperation" goal will amount to a total of EUR [X to Y] which will be distributed as follows:
- (a) a total of EUR xx for cross-border cooperation;
  - (b) a total of EUR xx for transnational cooperation;
  - (c) a total of EUR xx for interregional cooperation.
23. [xx to 0,35%] of the global resources will be allocated to technical assistance at the initiative of the Commission.
24. [0,2%] of the ERDF resources for the Investment for growth and jobs goal will be allocated to innovative actions at the initiative of the Commission in the area of sustainable urban development.

## *Definitions and eligibility*

25. Resources for the "Investment for growth and jobs" goal will be allocated to [three] types of regions, defined on the basis of how their GDP per capita, measured in purchasing power parities and calculated on the basis of Union figures for the period {2007 to 2009}, relates to the average GDP of the EU-27 for the same reference period, as follows:
- (a) less developed regions, whose GDP per capita is less than 75 % of the average GDP of the EU-27;
  - (b) [transition regions, whose GDP per capita is between [75% and 90%] of the average GDP of the EU-27] OR [there will be no transition regions].
  - (c) more developed regions, whose GDP per capita is above [75% OR 90 %] of the average GDP of the EU-27.
26. The Cohesion Fund will support those Member States whose gross national income (GNI) per capita, measured in purchasing power parities and calculated on the basis of Union figures for the period 2008 to 2010, is less than 90 % of the average GNI per capita of the EU-27 for the same reference period.
27. For cross-border cooperation, the regions to be supported will be the NUTS level 3 regions of the Union along all internal and external land borders, and all NUTS level 3 regions of the Union along maritime borders separated by a maximum of 150 km, without prejudice to potential adjustments needed to ensure the coherence and continuity of cooperation programme areas established for the 2007-2013 programming period.

28. For transnational cooperation, the Commission will adopt the list of transnational areas to receive support, broken down by cooperation programme and covering NUTS level 2 regions while ensuring the continuity of such cooperation in larger coherent areas based on previous programmes.

29. For interregional cooperation, support from the ERDF will cover the entire territory of the Union.

#### *Allocation method*

#### Allocation method for less developed regions

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

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

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

- (iii) to the amount obtained under step (ii) is added, if applicable, an amount resulting from the allocation of a premium of [EUR 800 to X] per unemployed person per year, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU less developed regions applied.
- (iv) [to the amount obtained under step (iii) is added, if applicable, an amount resulting from the allocation of a premium of EUR [X to 4] per person per year, applied to the population of cities with more than 250,000 inhabitants.] OR [There will be no urban premium.]

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

[Allocation method for transition regions]

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

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

- (i) determination of the minimum and maximum theoretical aid intensity for each eligible transition region. The minimum level of support is determined by the average per capita aid intensity per Member State [before [two third] regional safety net and urban population bonus] allocated to the more developed regions of that Member State. The maximum level of support refers to a theoretical region with a GDP per head of 75% of the EU27 average and is calculated using the method defined in paragraph 30(i) and (ii) above. Of the amount obtained by this method, [X% to 75%] is taken into account.
- (ii) calculation of initial regional allocations, taking into account regional GDP per capita through a linear interpolation of the region's relative wealth compared to EU-27;



- (iii) to the amount obtained under step (ii) is added, if applicable, an amount resulting from the allocation of a premium of [EUR X to 400] per unemployed person per year, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU less developed regions applied;
- (iv) [to the amount obtained under step (iii) is added, if applicable, an amount resulting from the allocation of a premium of EUR [X to 4] per person per year, applied to the population of cities with more than 250,000 inhabitants.] OR [There will be no urban premium.]

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

#### Allocation method for more developed regions

34. The total initial theoretical financial envelope is obtained by multiplying an average aid intensity per head and per year of EUR [X to 22.6] by the eligible population.

35. The share of each Member State concerned is the sum of the shares of its eligible regions, which are determined on the basis of the following criteria, weighted as indicated:

- total regional population (weighting [25%]),
- number of unemployed people in NUTS level 2 regions with an unemployment rate above the average of all more developed regions (weighting [20%]),
- employment to be added to reach the Europe 2020 target for regional employment rate (ages 20 to 64) of 75% (weighting [20%]),
- number of people aged 30 to 34 with tertiary educational attainment level to be added to reach the Europe 2020 target of 40% (weighting [12.5%]),
- number of early leavers from education and training (aged 18 to 24) to be subtracted to reach the Europe 2020 target of 10% (weighting [12.5%]),

- difference between the observed GDP of the region (in PPS) and the theoretical regional GDP if the region would have the same GDP/head as the most prosperous NUTS2 region (weighting [7.5%]),
- population of NUTS level 3 regions with a population density below [12.5 inh./km<sup>2</sup>] (weighting [2.5%]).

[To the amount obtained is added, if applicable, an amount resulting from the allocation of a premium of EUR [X to 4] per person per year, applied to the population of cities with more than 250,000 inhabitants.] OR [There will be no urban premium.]

#### Allocation method for the Cohesion Fund

36. The total theoretical financial envelope is obtained by multiplying the average per capita aid intensity of EUR [X to 50] by the eligible population. Each eligible Member State's *a priori* allocation of this theoretical financial envelope corresponds to a percentage based on its population, surface area and national prosperity, and obtained by applying the following steps:

- (i) calculation of the arithmetical average of that Member State's population and surface area shares of the total population and surface area of all the eligible Member States. If, however, a Member State's share of total population exceeds its share of total surface area by a factor of five or more, reflecting an extremely high population density, only the share of total population will be used for this step;
- (ii) adjustment of the percentage figures so obtained by a coefficient representing one third of the percentage by which that Member State's GNI per capita (PPS) for the period 2008-2010 exceeds or falls below the average GNI per capita of all the eligible Member States (average expressed as 100%).

37. In order to reflect the significant needs of Member States, which acceded to the Union on or after 1 May 2004, in terms of transport and environment infrastructure, their share of the Cohesion Fund will be set at one third of the total final financial allocation after capping (structural funds plus Cohesion Fund) received on average over the period.
38. [The Member States fully eligible for funding from the Cohesion Fund in the period 2007-2013, but whose nominal GNI per capita exceeds 90% of the average GNI per capita of the EU-27 will receive support from the Cohesion Fund on a transitional and specific basis. This transitional support will be of EUR [X to 50] per capita in 2014 and will degressively be phased out by 2020.]
39. The result of the application of this methodology is subject to capping.

Allocation method for "European territorial cooperation"

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

Allocation method for outermost, sparsely populated regions and islands

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

## *Capping*

42. In order to contribute to achieve adequate concentration of cohesion funding on the least developed regions and Member States and to the reduction of disparities in average per capita aid intensities, the maximum level of transfer to each individual Member State will be set at [X-2.5]% of GDP. The capping will be applied on an annual basis, and will - if applicable - proportionally reduce all transfers (except for the more developed regions and "European territorial cooperation") to the Member State concerned in order to obtain the maximum level of transfer. [For Member States which acceded to the Union before 2013 and whose average real GDP growth 2008-2010 was lower than -1.5%, the maximum level of transfer shall be increased by [X%] producing a capping of [2.X%]].

## *Safety nets*

43. For all regions whose GDP per capita for the 2007-2013 period was less than [75%] of the EU-25 average, but whose GDP per capita is above [75%] of the EU-27 average, the minimum level of support in 2014-20 will correspond to a degressive percentage of their former indicative average annual allocation under the Convergence allocation, calculated by the Commission within the multiannual financial framework 2007-2013. These percentages will be [xx%] in 2014, [xx%] in 2015, [xx%] in 2016, [xx%] in 2017, [xx%] in 2018, [xx%] in 2019 and [xx%] in 2020. Over the period 2014-2020 the total support will represent at least [55% - 2/3] of the support in the period 2007-2013.

44. The minimum total allocation (Cohesion Fund and Structural Funds) for a Member State shall correspond to [55 to X] % of its individual 2007-2013 total allocation. The adjustments needed to fulfil this requirement are applied proportionally to the allocations of the Cohesion Fund and the Structural Funds, excluding the allocations of the European territorial cooperation objective.

#### *Co-financing rates*

45. The co-financing rate at the level of each priority axis of operational programmes under the "Investment for growth and jobs" goal will be no higher than:

- (a) [75 - 85] % for the Cohesion Fund;
- (b) [75 - 85] % for the less developed regions of Member States whose average GDP per capita for the period 2007 to 2009 was below [85 %] of the EU-27 average during the same period and for the outermost regions;
- (c) [75 - 80]% for the less developed regions of Member States other than those referred to in point (b) eligible for the transitional regime of the Cohesion Fund on 1 January 2014
- (d) [75]% for the less developed regions of Member States other than those referred to in points (b) and (c), and for all regions whose GDP per capita for the 2007-2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27;
- (e) [60] % for the transition regions other than those referred to in point (d);
- (f) [50] % for the more developed regions other than those referred to in point (d).

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

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

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

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

OR

- b) [In order to fully respect the principle of co-financing, the levels set out in the paragraph above may not be increased when a Member State is receiving financial assistance in accordance with Articles 136 and 143 of the TFEU.]

#### **FOOD FOR DEPRIVED PEOPLE**

47. [The support for food for deprived people will be EUR [X to Y] for the period 2014-2020 and will be placed within heading 1b.]

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

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

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

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

- Pillar I will provide direct support to farmers and finance market measures. Direct support and market measures will be funded entirely and solely by the EU budget, so as to ensure the application of a common policy throughout the single market and with the integrated administration and control system (IACS).
- Pillar II of the CAP will deliver specific environmental public goods, improve the competitiveness of the agriculture and forestry sectors promote the diversification of economic activity and quality of life in rural areas including regions with specific problems. Measures in Pillar II will be co-financed by Member States according to the provisions in paragraph 61, which helps to ensure that the underlying objectives are accomplished and reinforces the leverage effect of rural development policy.

## **Pillar I**

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

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

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



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

#### *Capping of support to large farms*

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

OR

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

#### *Method for financial discipline*

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

### *Greening [of direct payments]*

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

### **Flexibility between pillars**

56. Member States may decide to make available as additional support for measures under rural development programming financed under the EAFRD, up to [10 to X] % of their annual national ceilings for calendar years 2014 to 2019 as set out in Annex II to the Regulation on direct payments. As a result, the corresponding amount will no longer be available for granting direct payments.

57. Member States [with direct payments per hectare below [90%] of EU average after general budget reduction, phasing in and redistribution] may decide to make available as direct payments under the Regulation on direct payments up to [5 to X] % of the amount allocated to support for measures under rural development programming financed under the EAFRD in the period 2015-2020. As a result, the corresponding amount will no longer be available for support measures under rural development programming.

## **Pillar II**

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

58. Support for rural development will be distributed between Member States based on objective criteria and past performance, while taking into account the objectives of the rural development and having regard to the overall context of Common Agricultural Policy and the Union budget.
59. The overall amount of support for rural development will be EUR [X to Y]. The annual breakdown will be fixed by the European Parliament and the Council. [Amounts for the individual Member States will be adjusted to take account of the above mentioned provisions in paragraphs [53,] 56 and 57.]
60. The distribution of the overall amount for rural development between Member States based on objective criteria and past performance<sup>1</sup> and will be as follows: (insertion of table with distribution of rural development support between Member States<sup>2</sup>).

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<sup>1</sup> The Presidency recognises the need to discuss further the issue of “past performance”.

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

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

- [75 - 85]% of the eligible public expenditure in the less developed regions, the outermost regions and the smaller Aegean islands within the meaning of Regulation (EEC) No 2019/93 ;
- [[75]% of the eligible public expenditure for all regions whose GDP per capita for the 2007-2013 period was less than 75% of the average of the EU-25 for the reference period but whose GDP per capita is above 75% of the GDP average of the EU-27 ];
- [60]% of the eligible public expenditure for the transition regions other than those referred to in the previous indent ] ;
- [50 - 55]% of the eligible public expenditure in the other regions;
- [[75]% for operations contributing to the objectives of environment and climate change mitigation and adaptation.];
- 100% for amounts transferred from pillar I to pillar II referred to in paragraph 57 as additional support under rural development.

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

\* \*

\*

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

*A new reserve for crisis in the agricultural sector*

63. A new Reserve for crises in the agricultural sector, to bring support in case of major crises affecting agricultural production or distribution, will be included under Heading 2 with a maximum annual amount of EUR [X to Y] euro.

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

### *The Common Strategic Framework*

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

### *Macro-economic conditionality<sup>1</sup>*

65. Establishing a closer link between cohesion policy and the economic governance of the Union will ensure that the effectiveness of expenditure under the Common Strategic Framework (CSF) Funds is underpinned by sound economic policies and that the CSF Funds can, if necessary, be redirected to addressing the economic problems a country is facing. For this reason a gradual macro-economic conditionality will be established in the CSF Regulation.

66. The Commission may request a Member State to review and propose amendments to its Partnership Contract and the relevant programmes, where this is necessary to support the implementation of Council recommendations or to maximise the growth impact of CSF funds in Member States receiving financial assistance from the EU. Such a request may be made to support implementation of:

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<sup>1</sup> The Presidency recognises the need for further reflection and discussion on the modalities of implementation of macro-economic conditionality.

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

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

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

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

69. part or all of [payments and] commitments [shall] be suspended [by the Commission].

70. Any decisions on suspensions will be proportionate and effective, taking into account the economic and social circumstances of the Member State concerned, and respect equality of treatment between Member States, in particular with regard to the impact of the suspension on the economy of the Member State concerned.

71. [The amount of [payments and] commitments suspended shall not exceed [x]% of GDP.]
72. Without prejudice to de-commitment rules the suspensions will be lifted [by the Commission] and funds made available again to the Member State concerned as soon as the Member State takes the necessary action.
73. Paragraph 67 relating to paragraph 66 (a), (b), (d) and (e) and paragraph 68 (b) and (c) shall not apply to the UK as a consequence of the Protocol (no 15) annexed to the TEU and the TFEU, cf. the report “Strengthening economic governance in the EU” by the Task Force on 21. October 2010.

#### *Performance reserve*

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

#### *Pre-financing rates*

75. [The pre-financing payment at the start of programmes ensures that Member States have the means to provide support to beneficiaries in the implementation of the programme from the start. The following levels of pre-financing should therefore apply for the ERDF, ESF and CF:
- The initial pre-financing amount will be paid in instalments as follows:
- (a) in 2014: [X to 2] % of the amount of support from the Funds for the entire programming period to the operational programme;
  - (b) in 2015: [X to 1] % of the amount of support from the Funds for the entire programming period to the operational programme;
  - (c) in 2016: [X to 1] % of the amount of support from the Funds for the entire programming period to the operational programme.



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

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

OR

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

#### *Other regulatory provisions*

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

#### *Appraisal*

77. On the basis of the already existing reporting by the Member States and the annual Commission progress report the Spring European Council will annually discuss the implementation and results of the Cohesion policy and recommend appropriate steps.

#### *VAT*

78.

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

OR

- (b) [VAT shall not be eligible for a contribution from the CSF Funds [and from the EUR X to Y billion transferred from the Cohesion Fund to the Connecting Europe Facility]. However for Member States with a GDP below [90]% of EU average, in the case of the CSF Funds, VAT amounts shall be eligible where they are not recoverable under national VAT legislation and are paid by a beneficiary other than non-taxable person as defined in the first subparagraph of Article 13(1) of Directive 2006/112/EC, provided that such VAT amounts are not incurred in relation to the provision of infrastructure.]

OR

- (c) [For Member States with a GDP below [90]% of EU average, non-recoverable VAT shall be eligible expenditure for the purpose of calculating the contribution from CSF Funds [and from the EUR X to Y billion transferred from the Cohesion Fund to the Connecting Europe Facility].]

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

79. Actions under this Heading constitute a diversified range of programmes targeted to security and citizens where cooperation at Union level offers value added. This includes in particular actions in relation to asylum and migration and initiatives in the areas of external borders and internal security as well as measures in the field of justice. Particular emphasis will be given to insular societies who face disproportional migration challenges. Actions within this Heading also support efforts to promote citizen participation in the European Union, including through culture, linguistic diversity and the creative sector. Furthermore, it covers measures to enhance public health and consumer protection. Simplification of programmes will ensure a more efficient and effective future implementation of actions in this area.

80. The level of commitments for this Heading will not exceed<sup>1</sup> :

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

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<sup>1</sup> As indicated in point 4 of the cover note, this heading, like all the others, will need to be subject to reduction efforts.

## **HEADING 4 - GLOBAL EUROPE**

81. External policies are a major field of action for the EU, which has been reinforced within the new institutional framework of the Lisbon Treaty. The MFF must underpin the EU's determination to develop its role as an active player on the international scene, with regional and global interests and responsibilities. Its financing instruments will strengthen EU's cooperation with partners, support the objectives of promoting EU values abroad, projecting EU policies in support of addressing major global challenges, increasing the impact of EU development cooperation, investing in the long-term prosperity and stability of the EU's Neighbourhood, supporting the process of EU enlargement, enhancing European solidarity following natural or man-made disasters, improving crisis prevention and resolution and combating climate change. Where appropriate and subject to objective criteria, support to partners will be adapted to their development situation and commitment and progress with regard to human rights, democracy, the rule of law and good governance. Increased flexibility within heading 4 and efficiency in implementation will underpin this.

82. The level of commitments for this Heading will not exceed<sup>1</sup> :

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

83. A key priority for Member States is to respect the EU's formal undertaking to collectively commit 0.7% of GNI to official development assistance by 2015, thus making a decisive step towards achieving the Millennium Development Goals. The European Union should as part of this commitment therefore aim to ensure over the period 2014-2020 that at least 90% of its overall external assistance be counted as official development assistance according to the present definition established by the OECD Development Assistance Committee (DAC).

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<sup>1</sup> As indicated in point 4 of the cover note, this heading, like all the others, will need to be subject to reduction efforts.

84. The Emergency Aid Reserve, the objective of which is to ensure capacity to respond rapidly to specific and unforeseeable aid requirements of third countries (humanitarian operations, civil crisis management and protection, migratory pressures), will be included under heading 4 with a maximum annual amount of [X to Y] euro (2011 prices).

## HEADING 5 - ADMINISTRATION

85. The need to consolidate public finances in short, medium and long term requires a particular effort by every public administration and its staff to improve efficiency, effectiveness and adjust to the changing economic context. Taking these fundamental circumstances as well as a number of specific factors determining the level of administrative expenditure and the need to preserve a highly professional and geographically balanced EU administration into account, the level of commitments for this Heading will not exceed<sup>1</sup> :

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

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

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

87. In the context of general fiscal consolidation and recognising the need for a particular effort on savings, all EU institutions, bodies, agencies and their administrations shall put into effect the reduction of [X]% in the staff over the period [2013-2017] [so as to realize saving of [X] million euro].

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<sup>1</sup> As indicated in point 4 of the cover note, this heading, like all the others, will need to be subject to reduction efforts.

88. Additional savings of [x] million euro in the period 2014-2020 should be ensured through reforms of the staff regulation. The development in costs for pensions will also be addressed in the reform of the staff regulation.
89. Additional savings of [x] million euro in the period 2014-2020 should be ensured in total non-staff expenditure.
90. The savings referred to in paragraphs 87, 88, and 89 shall be made binding through their insertion into the Inter Institutional Agreement on budgetary discipline and sound financial management.

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

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

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

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



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

#### *Administrative expenditure outside Heading 5*

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

#### *Improved and increased EIB involvement*

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

- (a) involving EIB expertise early in project co-financed by EU and EIB;
- (b) by ensuring that EIB is informed about projects receiving EU support;
- (c) by making the impact of technical assistance programmes (e.g. Jaspers) more efficient.

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<sup>1</sup> As indicated in point 4 of the cover note, EDF, like all the others headings of MFF and instruments outside MFF, will also need to be subject to reduction efforts

## **PART II : REVENUE**

100. The own resources arrangements should be guided by the overall objectives of simplicity, transparency and equity. The total amount of own resources allocated to the Union budget to cover annual appropriations for payments shall not exceed 1.23% of the sum of all the Member States' GNIs. The total amount of appropriations for commitments entered in the Union budget shall not exceed 1.29% of the sum of all the Member States' GNIs. An orderly ratio between appropriations for commitments and appropriations for payments shall be maintained to guarantee their compatibility.

101. The new system of own resources of the European Union will enter into force on the first day of the month following receipt of the notification of its adoption by the last Member State. All its elements will apply [retroactively] from [1 January 2014].

### *Traditional own resources*

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

### *VAT-based own resource*

103.

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

OR

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

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

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

OR

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

*FTT-based own resource*

105.

- (a) [A new own resource based on a system of financial transaction tax (FTT) will be introduced. It shall be levied in the amount of a share [of two thirds] of the amounts collected by Member States according to the minimum FTT rates set out in the relevant Council Directive[; for the years 2014 to 2020 the applicable share shall be set at [two thirds].]

OR

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

*Other potential future new revenue sources*

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

*GNI-based own resource*

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

*Implementing regulation*

108.

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

OR

(b) [No implementing regulation is established.]

*Interest rates on late payments*

109.

(a) [No changes will be made to the method for calculation of interest rates on late payments in the Own Resources system (Article 11 in regulation 1150/2000).]

OR

(b) [The interest rate on late payments will continue to be calculated according to Article 11 in regulation 1150/2000. However, [the monthly increase in the interest rate by 0.25 percentage points will be abolished] OR [the interest rate will be capped at a level equivalent to the rate applied by the ECB refinancing operations plus [x] percentage points].]

## *Corrections*

110.

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

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

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

[- EUR [350 million] for Sweden,]

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

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

OR

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

OR

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

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

(EUR million - 2011 prices)

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

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

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

**11th European Development Fund contribution key**

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

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