MFF 2014-2020
Mid-term review/revision

European Economic and Social Committee
ECO - Study Group
04 November 2016
THE ORIGIN OF THE REVIEW / REVISION

Article 2 of MFF regulation:
"By the end of 2016, the Commission shall present a review of the functioning of the MFF..."
"This compulsary review shall be accompanied, as appropriate, by a legislative proposal for the revision of this regulation."

Commission commitment as part of the 2013 MFF deal:
"...the Commission confirms its intention to submit legislative proposals for a revision of the MFF regulation."
Implementation of current MFF since 2014:

- BFOR: high performance/added value
- Promote economic recovery - EFSI
- Respond to refugee crisis

**Key message:** used all the existing flexibility to respond to these challenges: redeployments, margins, special instruments

**BUT MORE NEEDS TO BE DONE**
MTR PROPOSALS: 3 MAIN OBJECTIVES

(1) funding priorities: jobs and growth, migration and security

(2) Increase flexibility and agility of the budget

(3) Simplify financial rules
MTR PACKAGE

- Adjustment of cohesion policy envelopes
- DB 2017: reinforcements for migration
- EFSI 2
- External investment fund + Partnership framework process
- Simplification (Omnibus proposal)
- Top-ups jobs & growth, migration & security
- Flexibility (MFF Regulation)
### Overall financial package

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-term review/revision</td>
<td>6.3 BN EUR</td>
</tr>
<tr>
<td>Technical adjustment of cohesion policy envelopes - with focus on migration, youth employment and investment</td>
<td>4.6 BN EUR</td>
</tr>
<tr>
<td>Draft budget 2017 - additional spending on migration</td>
<td>1.8 BN EUR</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12.8 BN EUR</strong></td>
</tr>
</tbody>
</table>
Mid-term Review
6.3 BN EUR

Jobs and growth
2.4 BN EUR

- Highly oversubscribed, well-performing programmes:
  - COSME 200 Mio EUR
  - Horizon 2020 400 Mio EUR
  - CEF-transport 400 Mio EUR
  - Erasmus+ 200 Mio EUR

- YEI 1 BN EUR
- EFSI 2.0 150 Mio EUR
- WIFI4EU 50 Mio EUR

Migration
3.9 BN EUR

- Internal EU 2.55 BN EUR (Frontex, EBCG etc.)
- External EU 1.4 BN EUR

- External Investment Plan 250 Mio EUR
- Migration Compacts 750 Mio EUR
- ELM and MFA 385 Mio EUR

DB 2017 1.8 bn EUR
Technical adjustment 4.6 bnEUR

TOTAL PACKAGE
approx. 13 BN EUR

FUNDING PRIORITIES
JOBS AND GROWTH: HIGHLY OVERSUBSCRIBED PROGRAMMES

+ EUR 1.2 bn

- **H2020**: EUR 0.4 bn to increase the proportion of financed excellent projects
- **COSME**: EUR 0.2 bn to reinforce FIs
- **Erasmus+**: EUR 0.2 bn to support transnational mobility activities, skills development, employability of students
- **CEF-T**: EUR 0.4 bn – together with a transfer of EUR 1 bn from FIs to grants → total reinforcement of EUR 1.4 bn
JOBS AND GROWTH: YEI

+ **EUR 1 bn** to be matched by ESF EUR 1 bn (incl. from the TA)

- To date: over 1.4 million young people supported
- First evaluation: significantly improved opportunities for young people who completed a YEI intervention in finding employment of continued
- Report on implementation shows progress (but money alone is not sufficient)
EFSI Group figures
As of 19/07/2016

Approved EFSI financing
EUR 20.4 bn
* EIB-approved: EUR 13.6 bn
** EIF-approved: EUR 6.8 bn

Total investment related to EFSI approvals
EUR 115.7 bn

EIB + EIF 37%
EUR 315 bn

EFSI investment by sector:
- Energy: 23%
- RDI: 25%
- Smaller companies: 26%
- Social infrastructure: 4%
- Transport: 6%
- Digital: 12%
- Environment and resource efficiency: 5%

289 approved transactions in 26 of 28 EU countries
EXTERNAL MIGRATION: PARTNERSHIP FRAMEWORK PROCESS

+ EUR 750 mi

Coherent approach vis-à-vis partner countries + more efficient and coordinated deployment of the different programmes and funding sources:

- MFF programmes
- EDF
- Trust Funds
- Facility for Refugees in TK
ADDRESSING THE ROOT CAUSES OF MIGRATION: EXTERNAL INVESTMENT PLAN

Instability

Global economic crisis

Africa and Neighbourhood

Root causes of migration

Lowest economic growth since 2003

Low level of private investment
THE EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT

Funding: € 3.35 bn

- € 0.75 bn
- € 2.6 bn

(*) Blending Instruments = combination of grants and financial instruments
MACRO-FINANCIAL ASSISTANCE

+ EUR 270 Million

- Increasing demand linked to macroeconomic and financial instability
- Current lending capacity: ~ EUR 500 mi /year
- Proposed increased lending capacity: ~ EUR 2 bn / year
- **Guarantee Fund:** 9% provisioning of the annual volume with a two-year lag → EUR 135 mi in both 2019 and 2020
## MTR proposals Financing

<table>
<thead>
<tr>
<th>Heading 1a</th>
<th>Additional commitments 2017-2020</th>
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<tbody>
<tr>
<td>Horizon 2020</td>
<td>EUR 0.4 bn</td>
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<tr>
<td>CEF transport</td>
<td>EUR 0.4 bn</td>
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<tr>
<td>ERASMUS+</td>
<td>EUR 0.2 bn</td>
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<tr>
<td>Wifi4EU</td>
<td>EUR 0.05 bn</td>
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<tr>
<td>COSME</td>
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<tr>
<td>EFSI 2</td>
<td>EUR 0.15 bn</td>
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<tr>
<td>Heading 1b</td>
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<td>YEI</td>
<td>EUR 1 bn</td>
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<tr>
<td>Heading 3</td>
<td>EUR 2.55 bn</td>
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<td></td>
<td>EUR 2.55 bn</td>
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<tr>
<td>Heading 4</td>
<td>EUR 1.4 bn</td>
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<tr>
<td>MFA/ELM</td>
<td>EUR 0.385 bn</td>
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<td>EFSD</td>
<td>EUR 0.25 bn</td>
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<tr>
<td>Partnership framework process</td>
<td>EUR 0.75 bn</td>
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<tr>
<td>TOTAL</td>
<td>EUR 6.3 bn</td>
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Included in the financial programming – DB 2017
## MTR proposals Financing

### Financial Programming – DB 2017

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<tr>
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<td>H1a</td>
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<td>67.8</td>
<td>77.1</td>
<td>84.1</td>
<td>3 573.0</td>
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<td>532.0</td>
<td>81.9</td>
<td>751.9</td>
<td>821.3</td>
<td>973.7</td>
<td>3 892.9</td>
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<tr>
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<td>521.5</td>
<td>1 383.1</td>
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<td>815.4</td>
<td>428.6</td>
<td>1 073.6</td>
<td>1 488.0</td>
<td>8 026.0</td>
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<tr>
<td>of which still available*</td>
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<td></td>
<td>1 871.0</td>
<td>815.4</td>
<td>428.6</td>
<td>1 073.6</td>
<td>1 488.0</td>
<td>5 676.7</td>
</tr>
</tbody>
</table>

* 2016 margins lowered by EUR 445 million, which is foreseen for financing EFSI I in 2018 via GMC

**EUR 5.7 bn unallocated** - **EUR 3.8 bn for MTR proposals** = **EUR 1.9 bn margins left unallocated**
CURRENT PAYMENTS FORECAST

Sustainability of payment ceilings

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<tr>
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<tbody>
<tr>
<td>Payment forecast</td>
<td>139</td>
<td>141</td>
<td>136</td>
<td>133</td>
<td>149</td>
<td>159</td>
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<tr>
<td>Latest MFF *</td>
<td>139</td>
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<td>145</td>
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<td>154</td>
<td>157</td>
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<tr>
<td>PA ceilings with GMP adjustments</td>
<td>136</td>
<td>141</td>
<td>136</td>
<td>136</td>
<td>149</td>
<td>160</td>
<td>169</td>
</tr>
</tbody>
</table>
**Increased flexibility → MFF Revision**

- **Doubling the size of the existing flexibility instruments**
  - **FLEX**: from ~ 0.5 bn / year to EUR 1 bn / year - 2011 prices
  - **EAR**: from ~ EUR 0.3 bn / year to EUR 0.5 bn / year - 2011 prices

  → Additional budgetary availabilities under these instruments = EUR 3.5 bn

- **Extending the Global margin for commitments in time and scope**

- **Creating a new European Union Crisis Reserve financed from de-committed appropriations**
  - Potential of ~ EUR 3 bn to EUR 4 bn / year → PA over and above the ceilings
Issues bridging to the next MFF

- Duration: 5 years, 5+5 years or 7 years?
- Reset Priorities: Defence, Security, Migration
- Post-Cotonou relations to ACP countries / budgetisation EDF
SUMMARY

1. **Extensive use of the current MFF:** allocate the unallocated margins (remaining margins about EUR 2 bn)

2. **Increase the flexibility of the budget to face unforeseen needs**

3. **Maximise use of Payment Appropriations to avoid backlog**
Timing

- **Budget 2017**
  - Budgetary procedure

- **TA cohesion**
  - Reprogramming for 2017-2020

- **MFFR**
  - Special procedure

- **Omnibus**
  - Ordinary procedure

- **EFSI 2**
  - Ordinary procedure

- **EFSD**
  - Ordinary procedure

- **EIB ELM**
  - Ordinary procedure

**2016**

**2017**

**2018**

- = Target date for adoption

- Target date for adoption