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COM(2012) 388 final

2011/0177 (APP)

Amended proposal for a

**COUNCIL REGULATION**

**laying down the multiannual financial framework for the years 2014-2020**

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE AMENDED PROPOSAL

Following the adoption of its proposal for a Council Regulation laying down the multiannual financial framework for the years 2014-2020<sup>1</sup> ("MFF Regulation"), the Commission submitted proposals for all the legislative acts concerning the multiannual programmes for that period. As detailed under point 2 below, two of these proposals imply amendments to the proposal for a MFF Regulation.

It is also necessary to update the multiannual financial framework table included in the annex to the MFF Regulation to take into account the following elements:

- (a) Allocations for the Republic of Croatia are to be added to the Commission's proposal for EU-27 based on the Act of Accession signed on 9 December 2011<sup>2</sup>.
- (b) The availability of new data for regional GDP and national GNI results in changes to the regional and national eligibility under the Union's cohesion policy and therefore in a recalculation of the regional and national allocations.
- (c) The most recent macro-economic forecasts and projections should be taken into account to calculate the maximum national allocations for Member States subject to capped cohesion envelopes as well as to express the ceilings of the MFF table for the period 2014-2020 as a percentage of EU-28 GNI.

### 2. LEGAL ELEMENTS OF THE AMENDED PROPOSAL

Proposed amendments to recitals and articles are marked in bold and underlined in the attached Amended Proposal.

#### 2.1 Article 7

On 15 November 2011 the Commission presented a proposal for a Regulation of the European Parliament and of the Council laying down general provisions on the Asylum and Migration Fund and on the instrument for financial support for police cooperation, preventing and combating crime, and crisis management<sup>3</sup> ("Horizontal Regulation"), a proposal for a Regulation of the European Parliament and of the Council establishing the Asylum and Migration Fund<sup>4</sup>, and a proposal for a Regulation of the European Parliament and of the Council establishing, as part of the Internal Security Fund, the instrument for financial support for police cooperation, preventing and combating crime, and crisis management<sup>5</sup>. The same day, the Commission presented a proposal for a Regulation of the European Parliament and of the Council establishing, as part of the Internal Security Fund, the instrument for

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<sup>1</sup> COM(2011) 398 final of 29.6.2011.

<sup>2</sup> OJ L 112, 24.4.2012, p. 21.

<sup>3</sup> COM(2011) 752 final.

<sup>4</sup> COM(2011) 751 final.

<sup>5</sup> COM(2011) 753 final.

financial support for external borders and visa<sup>6</sup>. The three specific Regulations provide that the provisions of the Horizontal Regulation shall apply to them.

In the Horizontal Regulation the Commission announced that it will amend its proposal for a MFF Regulation to extend the provisions of Article 7 to the programmes implemented under shared management under the Asylum and Migration Fund and Internal Security Fund<sup>7</sup>. This is part of the Commission's endeavour to harmonise rules applicable to shared management. Accordingly, whilst every effort should be made to ensure that the national programmes under both Funds are adopted in 2014, a transfer to subsequent years of allocations not used in 2014 should be possible so as to avoid the loss of related commitment appropriations.

## **2.2 Article 8 (and recital No 7)**

On 6 October 2011, the Commission presented a proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural and Rural Development Fund and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006 ("CSF Regulation")<sup>8</sup>.

Article 21 of the CSF Regulation provides for rules on conditionality linked to the coordination of the Member States' economic policies, including the possible suspension of commitments and payments for programmes supported from the Funds covered by the Common Strategic Framework.

Article 21(8), last paragraph, of that Regulation provides that, when the conditions for lifting a suspension of commitments or payments are met, the Council shall, at the same time, decide, on a proposal of the Commission, to re-budget the suspended commitments in accordance with Article 8 of the Council Regulation laying down the multiannual financial framework for the years 2014-2020.

Consequently, Article 8 (and recital No 7) has to be amended accordingly to allow for the transfer and re-budgeting of suspended commitments.

Article 6 shall apply to decisions related to the lifting of a suspension of appropriations for payments.

## **2.3 Article 11 and new Article 11a (and recital No 7 and Article 9(5))**

Beyond the two above changes stemming from the legislative proposals on multiannual programmes, the Commission also proposes to amend Article 11 of its proposal for a MFF Regulation: For reasons of legal clarity and terminology it proposes to split Article 11 into two Articles, so as to distinguish the case of the

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<sup>6</sup> COM(2011) 750 final.

<sup>7</sup> COM(2011) 752 final, point 5.1. of the explanatory memorandum, page 7, last bullet point.

<sup>8</sup> COM(2011) 615 final.

accession of a new Member State to the Union from that of the reunification of Cyprus. This requires recital No 7 and Article 9(5) to be amended accordingly.

#### **2.4 Amendments to recital No 8 and Article 5**

For clarification purposes, and given the availability of more recent macroeconomic forecasts, some minor amendments are made to recital No 8 and Article 5 of the proposal.

### **3. BUDGETARY IMPLICATIONS**

#### **3.1 Incorporating the allocations for Croatia in the MFF table**

Country-specific allocations for the Republic of Croatia need to be added to the Commission's proposal for the Structural Funds, the Cohesion Fund, the European Agricultural Fund for Rural Development, the European Maritime and Fisheries Fund, the Asylum and Migration Fund and the Internal Security Fund.

These allocations are calculated on the basis of the same methodology applied for the EU-27, subject to the transitional provisions laid down in the Act of Accession.

Accordingly, for the Structural Funds and the Cohesion Fund, the amounts calculated on the basis of the proposed allocation method for the period 2014-2020 are subject to a twofold adjustment:

- A phasing-in schedule of 70% for the year 2014 and 90% for the year 2015;
- The allocations for 2014 and 2015 should amount to respectively 2.33 times and 3 times the 2013 allocation insofar as the limits of the new *acquis* allow (i.e. the capping rate of 2.5% of national GDP cannot be breached).

As regards the CAP:

- For market measures the allocation is calculated on the full application of the *acquis*, subject to the special conditions laid down in the Act of Accession for the wine sector;
- For direct payments, the same 10 year phasing-in schedule is applied to the applicable level of such payments in the EU-15 as was the case for the Member States which acceded on 1 May 2004 and 1 January 2007;
- For rural development, the allocation is based on the same methodology which the Commission applied for the overall amounts for EU-27. The Act of Accession does not foresee a phasing-in period.

As regards the EMFF, the allocation is subject to the same twofold adjustment for the years 2014-2015 (phasing-in and multiplier) as is the case for the structural and cohesion funds.

Croatia participates fully in the Asylum and Migration Fund as of 2014. It receives a special 'Schengen' allocation for the year 2014 and consequently shall not benefit from the external borders and visa strand of the Internal Security Fund for that year.

Furthermore, Croatia shall receive a temporary "cash-flow facility" to improve its net budgetary position for the year 2014.

Besides benefitting from these pre-allocated amounts, Croatia shall also fully participate in all other internal policies. Therefore all the non pre-allocated envelopes need to be adjusted accordingly. The same approach as for the 2013 amounts for the closure of the Accession negotiations has been applied – i.e. the amounts are calculated in proportion to the share of Croatia in the GDP and the population of EU-27, resulting in an increase of all the proposed non pre-allocated envelopes by 0.62%<sup>9</sup>.

Heading 5 would need to be updated to take account of the additional administrative expenditure requirements resulting from the accession of Croatia. With Croatia's accession and to manage the enlarged Union, additional resources will be needed mainly for linguistic, legal and programme management tasks. For the Commission alone the net reinforcement needed will amount to 384 additional full time equivalent units, mostly in the form of posts to be added to the establishment plan with their phasing in to be completed by 2014. The other Institutions will need additional resources mainly for linguistic and legal expenditure, equipment and operating expenditure, communication activities and IT management tasks, requiring a net reinforcement of some 274 additional full time equivalent units mostly in the form of posts. Those additional posts will also facilitate the integration of Croatian nationals to ensure geographical balance. The additional cost over the period 2014-2020 for all institutions is estimated at EUR 536 million (2011 prices).

Finally, the impact of these additional commitments needs to be added to the annual global payment ceilings on the basis of the same payment schedules used for the EU-27.

The resulting additional amounts are summarised in the table below. The proposed ceilings for EU-27 need to be adjusted accordingly.

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<sup>9</sup> The share of Croatia in the population and GNI of EU 27 amounts to 0.62%. This share was used for establishing the amounts for 2013 in the Common Position on Chapter 33 – Financial and Budgetary provisions.

### Additional amounts for Croatia in the MFF 2014-2020

*(EUR million - 2011 prices)*

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
<b>1. Smart and Inclusive Growth</b>	<b>1 088</b>	<b>1 295</b>	<b>1 330</b>	<b>1 361</b>	<b>1 395</b>	<b>1 428</b>	<b>1 462</b>	<b>9 360</b>
of which: Economic, social and territorial cohesion	1 011	1 214	1 244	1 271	1 300	1 329	1 358	8 728
<b>2. Sustainable Growth: Natural Resources</b>	<b>458</b>	<b>477</b>	<b>488</b>	<b>496</b>	<b>520</b>	<b>542</b>	<b>564</b>	<b>3 545</b>
of which: Market related expenditure and direct payments	118	134	148	163	193	222	249	1 227
<b>3. Security and citizenship</b>	<b>88</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>273</b>
<b>4. Global Europe</b>	<b>0</b>							
<b>5. Administration</b>	<b>80</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>536</b>
of which: Administrative expenditure of the institutions	80	76	76	76	76	76	76	536
<b>6. Compensations</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<b>1 741</b>	<b>1 879</b>	<b>1 925</b>	<b>1 964</b>	<b>2 021</b>	<b>2 078</b>	<b>2 133</b>	<b>13 741</b>
<b>TOTAL PAYMENT APPROPRIATIONS</b>	<b>550</b>	<b>877</b>	<b>1 284</b>	<b>1 640</b>	<b>1 764</b>	<b>1 941</b>	<b>1 900</b>	<b>9 956</b>

### 3.2 Updating of the ceiling for Smart and Inclusive Growth and the sub-ceiling for Economic, social and territorial cohesion

The cohesion allocations in the Commission proposals were based on the latest available data when the proposals were adopted, i.e. the average regional GDP for the years 2006 to 2008, regional education and labour market data for the years 2007-2009, the average GNI for the years 2007 to 2009, as well as the Spring 2011 macro-economic forecast and accompanying medium term projections.

Following the publication of regional GDP data for 2009, regional education and labour market data for 2010, and of GNI data for 2010, these proposals now need to be updated: The three-year average determining eligibility shifts to 2007-2009 for regional GDP and to 2008-2010 for GNI. Furthermore, the maximum envelopes for those Member States subject to a cap of 2.5% of national GDP are now calculated on the basis of the Spring 2012 forecast and updated medium-term projections.

This results in the following changes to the overall allocation for the EU-27:

*(EUR million - 2011 prices)*

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
1. Smart and Inclusive Growth	-1 015	-860	-610	-573	-675	-810	-963	-5 506
of which: Economic, social and territorial cohesion	-1 015	-860	-610	-573	-675	-810	-963	-5 506

### 3.3 Updating of the global ceilings for payment appropriations

The annual global ceilings for payments need to be updated on the basis of the most recent information available:

- The budget execution for the year 2011
- The adopted budget for the year 2012
- The draft budget for the year 2013 and the accompanying revised payment schedules

### 3.4 Updating of the overall annual ceilings for commitments and payments expressed as a percentage of EU-GNI

Finally, the overall annual ceilings for commitments and payments of the MFF table, as modified under sections 3.1 and 3.2 above, need to be expressed in terms of a percentage of EU-28 GNI, calculated on the basis of the Commission's Spring 2012 macro-economic forecast and updated medium-term projections.

Amended proposal for a

## **COUNCIL REGULATION**

### **laying down the multiannual financial framework for the years 2014-2020**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the functioning of the European Union, and in particular Article 312 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

Having regard to the proposal from the European Commission<sup>10</sup>,

Having regard to the consent of the European Parliament<sup>11</sup>,

After transmission of the draft legislative act to national Parliaments,

Acting in accordance with a special legislative procedure,

Whereas:

- (1) The annual ceilings on commitments appropriations by category of expenditure and the annual ceilings on payment appropriations established by this Regulation must respect the ceilings set for commitments and own resources in [Council Decision XXXX/XX/EU, Euratom].
- (2) Taking into account the need for an adequate level of predictability for preparing and implementing medium-term investments, the duration of the financial framework should be set at seven years starting 1 January 2014, with an assessment of the implementation of the financial framework at mid-term. The results of this assessment should be taken into account during the last three years of the duration of the financial framework.
- (3) Special instruments, the Emergency Aid Reserve, the European Union Solidarity Fund, the Flexibility Instrument, the European Globalisation Adjustment Fund, the Reserve for crises in the agriculture sector and the Contingency Margin, are necessary to allow the Union to react to specified unforeseen circumstances, or to allow the financing of clearly identified expenditure which could not be financed within the limits of the ceilings available for one or more headings as laid down in the financial framework. Specific provisions are therefore necessary to provide for a possibility to enter in the budget commitment appropriations over and above the ceilings set out in financial framework where it is necessary to use special instruments.

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<sup>10</sup> OJ C , , p. .

<sup>11</sup> OJ C , , p. .

- (4) If it is necessary to mobilise the Union's budget guarantees for the loans provided under the Balance of Payment Facility and the European Financial Stabilisation Mechanism set out in Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments<sup>12</sup> and in Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism<sup>13</sup>, the necessary amount should be mobilised over and above the ceilings of the commitments and payments appropriations of the financial framework while respecting the own resources ceiling.
- (5) The financial framework should be laid down in 2011 prices. The rules for technical adjustments of the financial framework to recalculate the ceilings and margins available should also be laid down.
- (6) The financial framework should not take account of budget items financed by assigned revenue within the meaning of Regulation (EU) No [xxx/201x] of the European Parliament and of the Council of [...] on the financial rules applicable to the annual budget of the Union<sup>14</sup>.
- (7) Rules should be laid down for other situations that may require the financial framework to be adjusted. Those adjustments may be related to the implementation of the budget, **macroeconomic conditionalities linked to the coordination of Member States' economic policies**~~excessive government deficit~~, revision of the Treaties, enlargements, **the reunification of Cyprus**, or delayed adoption of new rules governing certain policy areas.
- (8) The national envelopes for ~~cohesion policy~~~~for growth and employment~~ are established on the basis of forecast for Gross Domestic Product (hereinafter "GDP") of spring 2012~~14~~. Given the forecasting uncertainties and the impact for the capped Member States an assessment should be made in mid-term to compare the forecasted and actual GDP and its impact for the envelopes. In case the GDP for 2014-2016 differs more than +/- 5% from the forecast used in 2012~~14~~ the envelopes for 2018-2020 for the Member States concerned need to be adjusted. The rules for this adjustment need to be provided for.
- (9) The financial framework may need to be revised in case of unforeseen circumstances that cannot be dealt with within the established ceilings of the financial framework. It is therefore necessary to provide for revision of the financial framework in such cases.
- (10) It is necessary to provide for general rules on interinstitutional cooperation in the budgetary procedure.
- (11) In order to help the budgetary procedure to run smoothly, it is necessary to provide for the basic rules for the budgeting of the expenditure for the Common Foreign and Security policy and overall amount for the period covered by the financial framework.
- (12) Detailed arrangements on interinstitutional cooperation in the budgetary procedure and on the budgeting of the expenditure for the Common Foreign and Security policy are

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<sup>12</sup> OJ L 53, 23.2.2002, p. 1

<sup>13</sup> OJ L 118, 12.5.2010, p. 1.

<sup>14</sup> OJ L .

laid down in the Interinstitutional Agreement of [...] 201x between the European Parliament, the Council and the Commission on cooperation in budgetary matters and sound financial management<sup>15</sup>.

- (13) Specific rules are also necessary for dealing with large-scale infrastructure projects whose lifetime extends well beyond the period set for the financial framework. It is necessary to establish maximum amounts for the contributions from the Union's budget to those projects. Those requests should not have any impact on other projects financed from the Union's budget.
- (14) The Commission should present a proposal for a new multiannual financial framework before 1 January 2018 to enable the institutions to adopt it sufficiently in advance before the start of the following financial framework. The financial framework laid down in this Regulation should continue to apply if the new financial framework regulation is not adopted before the end of the term of the financial framework laid down in this Regulation,

HAS ADOPTED THIS REGULATION:

### *Article 1*

#### *Multiannual Financial Framework*

The multiannual financial framework for the period 2014 to 2020 (hereinafter the financial framework) is set out in the Annex.

### *Article 2*

#### *Compliance with the ceilings of the financial framework*

1. The European Parliament, the Council and the Commission shall comply with the annual expenditure ceilings, set out in the financial framework, during each budgetary procedure and when implementing the budget for the year concerned.
2. The commitment appropriations may be entered in the budget over and above the ceilings of the relevant headings laid down in the financial framework where it is necessary to use the resources from the Emergency Aid Reserve, the European Union Solidarity Fund, the Flexibility Instrument, the European Globalisation Adjustment Fund, the Reserve for crises in the agriculture sector and the Contingency Margin in accordance with Council Regulation (EC) No 2012/2002<sup>16</sup>, Regulation (EC) No 1927/2006 of the European Parliament and of the Council<sup>17</sup>, Regulation No xxx/201x of the European Parliament and the Council<sup>18</sup> and the Interinstitutional Agreement of [...] 201x on cooperation in budgetary matters and sound financial management (hereinafter the Interinstitutional Agreement).

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<sup>15</sup> OJ C ...

<sup>16</sup> OJ L 311, 14.11.2002, p. 3.

<sup>17</sup> OJ L 406, 30.12.2006, p. 1.

<sup>18</sup> OJ L , , p.

3. Where a guarantee for a loan covered by the Union's budget according to Regulation (EC) No 332/2002 or Regulation (EU) No 407/2010 needs to be mobilised, it shall be over and above the ceilings laid down in the financial framework.

### *Article 3*

#### *Respect of own resources ceiling*

1. For each of the years covered by the financial framework, the total appropriations for payments required, after annual adjustment and taking account of any other adjustments and revisions as well as the application of paragraphs 2 and 3 of Article 2, may not be such as to produce a call-in rate for own resources that exceeds the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom].
2. Where necessary, the ceilings set in the financial framework shall be lowered in order to ensure compliance with the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom].

### *Article 4*

#### *Technical adjustments*

1. Each year the Commission, acting ahead of the budgetary procedure for year n+1, shall make the following technical adjustments to the financial framework:
  - (a) revaluation, at year n+1 prices, of the ceilings and of the overall figures for appropriations for commitments and appropriations for payments;
  - (b) calculation of the margin available under the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom];
  - (c) calculation of the absolute amount of the Contingency Margin provided for in Point 15 of the Interinstitutional Agreement.
2. The Commission shall make the technical adjustments referred to in paragraph 1 on the basis of a fixed deflator of 2% a year.
3. The Commission shall communicate the results of the technical adjustments referred to in paragraph 1 and the underlying economic forecasts to the European Parliament and the Council.
4. No further technical adjustments may be made in respect of the year concerned, either during the year or as ex-post corrections during subsequent years.

### *Article 5*

#### *Adjustment of cohesion policy envelopes*

1. In its technical adjustment for the year 2018, if it is established that cumulated Gross Domestic Product ("GDP") of any **capped** Member State for the years 2014-2016

has diverged by more than +/- 5 % from the cumulated GDP estimated in 2012~~+~~ for the establishment of cohesion policy envelopes for Member States for the period 2014-2020, the Commission shall adjust the amounts allocated from funds supporting cohesion to the Member State concerned for that period.

2. The total net effect, whether positive or negative, of the adjustments referred to in paragraph 1 may not exceed EUR 3 billion.
3. The required adjustments shall be spread in equal proportions over the years 2018-2020 and the corresponding ceilings of the financial framework shall be modified accordingly.

#### *Article 6*

##### *Adjustments related to implementation*

When notifying the European Parliament and the Council of the results of the technical adjustments to the financial framework, the Commission shall present any proposals for adjustments to the total appropriations for payments which it considers necessary, in the light of implementation, to ensure an orderly progression in relation to the appropriations for commitments. The decisions on those proposals shall be taken before 1 May of year n.

#### *Article 7*

##### *Adjustment of Structural Funds, Cohesion Fund, the European Agricultural Fund for Rural Development Fund and, the European Fund for Maritime and Fisheries Fund, the Asylum and Migration Fund and the Internal Security Fund*

1. In the case of adoption after 1 January 2014 of new rules or programmes under shared management for governing the Structural Funds, the Cohesion Fund, the European Agricultural Fund for Rural Development Fund and, the European Fund for Maritime and Fisheries Fund, the Asylum and Migration Fund and the Internal Security Fund, the financial framework shall be adjusted in order to transfer to subsequent years, in excess of the corresponding expenditure ceilings, of allocations not used in 2014.
2. The adjustment concerning the transfer of unused allocation for the year 2014 shall be adopted before 1 May 2015.

#### *Article 8*

##### *Adjustments related to macroeconomic conditionalities linked to the coordination of Member States' economic policies~~excessive government deficit~~*

In the case of the lifting of a suspension of budgetary commitments concerning the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund in the context of macroeconomic conditionalities linked to the coordination of Member States' economic policies~~an excessive deficit procedure~~, the

Council, in accordance with the Treaty and in compliance with the relevant basic act, shall decide on a transfer of suspended commitments to the following years. Suspended commitments of year n may not be re-budgeted beyond year n+2.

#### *Article 9*

##### *Revision of the financial framework*

1. In case of unforeseen circumstances the financial framework may be revised in compliance with the own resources ceiling set in accordance with [Decision XXXX/XX/EU, Euratom].
2. Any revision of the financial framework in accordance with paragraph 1 shall take into account the scope for reallocating expenditure between the programmes covered by the heading concerned by the revision, with particular reference to any expected under-utilisation of appropriations. Where feasible, a significant amount, in absolute terms and as a percentage of the new expenditure planned, shall be within the existing ceiling for the heading.
3. Any revision of the financial framework in accordance with paragraph 1 shall take into account the scope for offsetting any raising of the ceiling for one heading by the lowering of the ceiling for another.
4. Any revision of the financial framework in accordance with paragraph 1 shall maintain an appropriate relationship between commitments and payments.
5. Adjustments referred to in Article 3(2), 6, 7, 8, 10, 11, **11a** and 16 also constitute a revision of the financial framework.

#### *Article 10*

##### *Adjustment of the financial framework in case of a revision of the Treaties*

Should a revision of the Treaties with budgetary implications occur during the financial framework, the necessary adjustments to the financial framework shall be made accordingly.

#### *Article 11*

##### *Adjustment of the financial framework in case of enlargement ~~and unification of Cyprus~~*

If new Member States accede to the Union during the period covered by the financial framework, the financial framework shall be adjusted to take account of the expenditure requirements resulting from the outcome of the accession negotiations.

## Article 11a

### Adjustment of the financial framework in case of reunification of Cyprus

In case of reunification of Cyprus during the period covered by the financial framework, the latter shall be adjusted to take account of the comprehensive settlement of the Cyprus problem and the additional financial needs resulting from reunification.

## Article 12

### *Interinstitutional cooperation in the budgetary procedure*

The European Parliament, the Council and the Commission (hereinafter the institutions) shall take any measures to facilitate the annual budgetary procedure.

The institutions shall cooperate in good faith throughout the procedure with a view to reconciling their positions. The institutions shall cooperate through appropriate interinstitutional contacts to monitor the progress of the work and analyse the degree of convergence at all stages of the procedure.

The institutions shall ensure that their respective calendars of work are coordinated as far as possible in order to enable proceedings to be conducted in a coherent and convergent fashion, leading to the final adoption of the budget.

Trilogues may be held at all stages of the procedure and at different levels of representation, depending on the nature of the expected discussion. Each institution, in accordance with its own rules of procedure, shall designate its participants for each meeting, define its mandate for the negotiations and inform the other institutions of arrangements for the meetings in good time.

## Article 13

### *Financing of the Common foreign and security policy*

The total amount of operating Common foreign and security policy (hereinafter "CFSP") expenditure shall be entered entirely in one budget chapter, entitled CFSP. That amount shall cover the real predictable needs, assessed in the framework of the establishment of the draft budget, on the basis of forecasts drawn up annually by the High Representative of the Union for Foreign Affairs and Security Policy, and a reasonable margin for unforeseen actions. No funds may be entered in a reserve.

## Article 14

### *Contribution to the financing of large scale projects*

A maximum amount of EUR 7 000 million in 2011 prices shall be available for the European satellite navigation programmes (EGNOS and Galileo) from the EU budget for the period 2014-2020.

### *Article 15*

#### *Mid-term assessment of implementation of the financial framework*

In 2016, the Commission shall present an assessment of the implementation of the financial framework accompanied, where necessary, by relevant proposals.

### *Article 16*

#### *Transition towards the next financial framework*

Before 1 January 2018, the Commission shall present a proposal for a new multiannual financial framework.

If no Council regulation determining a new multiannual financial framework has been adopted before 31 December 2020, the ceilings and other provisions corresponding to the last year of the financial framework shall be extended until a regulation determining a new financial framework is adopted. If new Member States accede to the Union after 2020, the extended financial framework shall, if necessary, be adjusted in order to take into account the results of accession negotiations.

### *Article 17*

#### *Entry into force*

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at ...,

*For the Council*  
*The President*

**ANNEX**

**Multiannual Financial Framework table (EU-28)**

*(EUR million - 2011 prices)*

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
<b>1. Smart and Inclusive Growth</b>	<b>64 769</b>	<b>67 015</b>	<b>68 853</b>	<b>70 745</b>	<b>72 316</b>	<b>74 386</b>	<b>76 679</b>	<b>494 763</b>
of which: Economic, social and territorial cohesion	50 464	51 897	53 177	54 307	55 423	56 474	57 501	379 243
<b>2. Sustainable Growth: Natural Resources</b>	<b>57 845</b>	<b>57 005</b>	<b>56 190</b>	<b>55 357</b>	<b>54 357</b>	<b>53 371</b>	<b>52 348</b>	<b>386 472</b>
of which: Market related expenditure and direct payments	42 363	41 756	41 178	40 582	39 810	39 052	38 309	283 051
<b>3. Security and citizenship</b>	<b>2 620</b>	<b>2 601</b>	<b>2 640</b>	<b>2 679</b>	<b>2 718</b>	<b>2 757</b>	<b>2 794</b>	<b>18 809</b>
<b>4. Global Europe</b>	<b>9 400</b>	<b>9 645</b>	<b>9 845</b>	<b>9 960</b>	<b>10 150</b>	<b>10 380</b>	<b>10 620</b>	<b>70 000</b>
<b>5. Administration</b>	<b>8 622</b>	<b>8 755</b>	<b>8 872</b>	<b>9 019</b>	<b>9 149</b>	<b>9 301</b>	<b>9 447</b>	<b>63 165</b>
of which: Administrative expenditure of the institutions	7 047	7 115	7 184	7 267	7 364	7 461	7 561	51 000
<b>6. Compensations</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<b>143 282</b>	<b>145 021</b>	<b>146 400</b>	<b>147 759</b>	<b>148 690</b>	<b>150 195</b>	<b>151 888</b>	<b>1 033 235</b>
as a percentage of GNI	1.10%	1.09%	1.08%	1.08%	1.07%	1.06%	1.06%	1.08%
<b>TOTAL PAYMENT APPROPRIATIONS</b>	<b>133 976</b>	<b>141 175</b>	<b>144 126</b>	<b>138 776</b>	<b>146 870</b>	<b>144 321</b>	<b>138 356</b>	<b>987 599</b>
as a percentage of GNI	1.03%	1.06%	1.06%	1.01%	1.06%	1.02%	0.96%	1.03%