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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Technical adjustment of the financial framework for 2016 in line with movements in GNI

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

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1. INTRODUCTION

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

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

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

The purpose of this communication is to present to the budgetary authority the result of the technical adjustments (EU-28) for 2016 according to Article 6 of the MFF Regulation.

2. TERMS OF THE ADJUSTMENT OF THE MFF TABLE (TABLES 1-2)

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

Table 2 shows the financial framework for EU-28 adjusted for 2016 (i.e. in current prices). The financial framework expressed in percentage of GNI is updated with the latest economic forecasts available (Spring 2015) and long-term projections and is adjusted according to Articles 3(1) and Article 5 of the MFF Regulation.

2.1. Total figure for GNI

According to the latest forecast available, the GNI for 2016 is established at EUR 14 794 057.7 million in current prices for EU-28. According to the Article 6 (4) no further technical adjustments are made in respect of the year concerned, either during the year or as ex-post corrections during subsequent years. Therefore for

[1] OJ L 347, 20.12.2013, p. 884.
[2] OJ L 103, 22.4.2015, p.1.

information only, the updated GNI is established at EUR 13 614 438.8 million for 2014 and EUR 14 247 432.6 million for 2015.

2.2. Main results of the technical adjustment of the MFF for 2016

The overall ceiling for commitment appropriations for 2016 (EUR 154 738 million) equals 1.05 % of GNI.

The corresponding overall ceiling concerning the payment appropriations (EUR 144 685 million) equals 0.98 % of GNI. On the basis of the latest economic forecasts, this leaves a margin beneath the 1.23 % own resources ceiling of EUR 37 282 million (0.25 % of GNI for EU-28).

2.3. Adjustment of the sub-ceiling for Heading 2

According to Article 3(1) of the MFF Regulation, the sub-ceiling for heading 2 for market related expenditure and direct payments in the period 2014 to 2020 shall be adjusted following the transfers between pillar I and rural development in accordance with the legal act establishing these transfers.

The subceiling of Heading 2 was adjusted for the first time in the technical adjustment of the MFF for 2015[3]. This first set of transfers reduced the net balance available for European Agricultural Guarantee Fund (EAGF) expenditure by EUR 427.5 million in 2014-2020 and increased the allocation of the European Agriculture Fund for Rural Development (EARFD) accordingly. The MFF sub-ceiling for market related expenditure and direct payments 2014-2020 was adjusted from EUR 312 735 million to EUR 312 309 million. The total amount of the Heading 2 ceiling did not change.

Two more rounds of transfers between the two pillars of the CAP were notified by the Member States until 31 December 2013 and 1 August 2014 which resulted again in a reduction of the net balance available for the EAGF and a corresponding increase in the allocation for the EARFD. These transfers covered the flexibility between pillars in accordance with Article 136(a) of Council Regulation (EC) No 73/2009[4] and Article 14 of Regulation (EU) No 1307/2013[5], but also to the estimated product of reductions to direct payments in accordance with Article 7(2) of this last regulation. All these changes are set out in the corresponding Commission Delegated Regulations: No 994/2014 of 13 May 2014[6] and No 1378/2014 of 17 October 2014[7]

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3 COM(2014) 307 final, 28.5.2014.

4 Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003 (OJ L 30, 31.1.2009, p. 16).

5 Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (OJ L 347, 20.12.2013, p. 608).

6 Commission Delegated Regulation (EU) No 994/2014 of 13 May 2014 amending Annexes VIII and VIIIc to Council Regulation (EC) No 73/2009, Annex I to Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Annexes II, III and VI to Regulation (EU) No 1307/2013 of the European Parliament and of the Council. OJ L 280, 24.9.2014, p.1.

7 Commission Delegated Regulation (EU) No 1378/2014 of 17 October 2014 amending Annex I to Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Annexes II and III

and are also reflected in the Commission Implementing Regulation (EU) 2015/141 of 29 January 2015[8]..

The total transfer of the amounts from pillar I to rural development for the financial years 2015-2020 is EUR 3 581.9 million (i.e. net transfer from pillar I to EAFRD of EUR 3 024,354 million plus a total reduction of direct payments of EUR 557.546 million). The MFF sub-ceiling for market related expenditure and direct payments 2014-2020 needs to be adjusted accordingly from EUR 312 309 million to EUR 308 729 million. The total amount of the Heading 2 ceiling does not change.

The tables below show the three rounds of transfers between the two pillars of CAP and their impact for Heading 2 subceiling.

First adjustment of sub-ceiling for market related expenditures and direct payments for transfer between pillars

(in million EUR - current prices)

	2014	2015	2016	2017	2018	2019	2020	2014-2020
Initial H2 sub-ceiling	44 130.000	44 368.000	44 628.000	44 863.000	44 889.000	44 916.000	44 941.000	312 735.000
First net transfer from P1 to P2	- 351.900	- 55.600	- 4.000	- 4.000	- 4.000	- 4.000	- 4.000	- 427.500
EAGF net balance after 1st transfer	43 778.100	44 312.400	44 624.000	44 859.000	44 885.000	44 912.000	44 937.000	312 307.500
H2 sub-ceiling after 1st transfer	43 779.000	44 313.000	44 624.000	44 859.000	44 885.000	44 912.000	44 937.000	312 309.000
Rounding difference	*0.900*	*0.600*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*1.500*

Second and third adjustment of sub-ceiling for market related expenditures and direct payments for transfer between pillars

(in million EUR - current prices)

	2014	2015	2016	2017	2018	2019	2020	2014-2020
2nd and 3rd net transfer from P1 to P2		- 122.615	- 565.099	- 602.292	- 612.437	- 560.134	- 561.777	-3 024.354
Flexibility between pillars: P2 to P1		*499.384*	*573.047*	*572.440*	*571.820*	*571.158*	*570.356*	*3 358.205*
Flexibility between pillars: P1 to P2		*- 621.999*	*-1 138.146*	*-1 174.732*	*-1 184.257*	*-1 131.292*	*-1 132.133*	*-6 382.559*
Reduction DP			- 109.619	- 111.975	- 111.115	- 112.152	- 112.685	- 557.546
EAGF net balance after 3 transfers	43 778.100	44 189.785	43 949.282	44 144.733	44 161.448	44 239.714	44 262.538	308 725.600
H2 sub-ceiling after 3 transfers	43 779.000	44 190.000	43 950.000	44 145.000	44 162.000	44 240.000	44 263.000	308 729.000
Rounding difference	*0.900*	*0.215*	*0.718*	*0.267*	*0.552*	*0.286*	*0.462*	*3.400*

The modification of the H2 sub-ceiling in current prices needs to be translated into 2011 prices in order to technically adjust the MFF table in 2011 prices.

For this purpose the EAGF net balance is first transformed into 2011 prices by using the 2% fixed deflator. This is then rounded up to obtain the adjusted H2 sub-ceiling as the MFF ceilings are only expressed in millions of Euros. Only with this rounding-up procedure it can be ensured that the MFF sub-ceiling is always higher than the net balance available for EAGF expenditure. The resulting small difference does not constitute an available margin, but is exclusively arising from the rounding operation as all figures in the MFF table need to be expressed in millions of euro. For each annual budget, the Commission will use the exact amounts of the net balance available for EAGF expenditure as it was already the case for budget 2014. The same approach was applied in the technical adjustment of the MFF for 2015.

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to Regulation (EU) No 1307/2013 of the European Parliament and of the Council. OJ L 367, 23.12.2014, p. 16.

8 Commission Implementing Regulation (EU) 2015/141 of 29 January 2015 amending Implementing Regulation (EU) No 367/2014 setting the net balance available for EAGF expenditure, OJ L 24, 30.1.2015, p.11.

Sub-ceiling for market related expenditures and direct payments after transfer in current and 2011 prices

	2014	2015	2016	2017	2018	2019	2020	2014-2020
	- in current prices -							
Initial H2 sub-ceiling	44 130.000	44 368.000	44 628.000	44 863.000	44 889.000	44 916.000	44 941.000	312 735.000
EAGF net balance after 1st transfer	43 778.100	44 312.400	44 624.000	44 859.000	44 885.000	44 912.000	44 937.000	312 307.500
H2 subceiling after 1st transfer	43 779.000	44 313.000	44 624.000	44 859.000	44 885.000	44 912.000	44 937.000	312 309.000
Rounding difference	*0.900*	*0.600*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*1.500*
Difference to initial sub-ceiling	*- 351.000*	*- 55.000*	*- 4.000*	*- 4.000*	*- 4.000*	*- 4.000*	*- 4.000*	*- 426.000*
EAGF net balance after 3 transfers	43 778.100	44 189.785	43 949.282	44 144.733	44 161.448	44 239.714	44 262.538	308 725.600
H2 sub-ceiling after 3 transfers	**43 779.000**	**44 190.000**	**43 950.000**	**44 145.000**	**44 162.000**	**44 240.000**	**44 263.000**	**308 729.000**
Rounding difference	*0.900*	*0.215*	*0.718*	*0.267*	*0.552*	*0.286*	*0.462*	*3.400*
Difference to initial sub-ceiling	*- 351.000*	*- 178.000*	*- 678.000*	*- 718.000*	*- 727.000*	*- 676.000*	*- 678.000*	*-4 006.000*
Difference to sub-ceiling after 1st transfer	*0.000*	*- 123.000*	*- 674.000*	*- 714.000*	*- 723.000*	*- 672.000*	*- 674.000*	*-3 580.000*
Annual deflator	**1.0612**	**1.082**	**1.104**	**1.126**	**1.149**	**1.172**	**1.195**	
	- in 2011 prices -							
Initial H2 sub-ceiling	41 585.000	40 989.000	40 421.000	39 837.000	39 079.000	38 335.000	37 605.000	277 851.000
H2 subceiling after 1 transfer	41 254.000	40 938.000	40 418.000	39 834.000	39 076.000	38 332.000	37 602.000	277 454.000
EAGF net balance after 3 transfers	41 253.081	40 824.531	39 806.219	39 199.260	38 445.198	37 758.170	37 036.912	274 323.371
H2 sub-ceiling after 3 transfers	**41 254.000**	**40 825.000**	**39 807.000**	**39 200.000**	**38 446.000**	**37 759.000**	**37 037.000**	**274 328.000**
Rounding difference	*0.919*	*0.469*	*0.781*	*0.740*	*0.802*	*0.830*	*0.088*	*4.629*
Difference to initial sub-ceiling	*- 331.000*	*- 164.000*	*- 614.000*	*- 637.000*	*- 633.000*	*- 576.000*	*- 568.000*	*-3 523.000*
Difference to sub-ceiling after 1st transfer	*0.000*	*- 113.000*	*- 611.000*	*- 634.000*	*- 630.000*	*- 573.000*	*- 565.000*	*-3 126.000*

3. GLOBAL MARGIN FOR PAYMENTS (GMP)

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

The 2014 payment ceiling was EUR 135 866 million in current prices. The Contingency Margin was mobilised to provide the sum of EUR 3 168 233 715 in payment appropriations over and above the payment ceiling of the multiannual financial framework (MFF). The amount of EUR 350 million was included in the mobilisation of the Contingency Margin pending an agreement on payments for other special instruments. Pending that agreement the sum of EUR 2 818 233 715 was identified as an amount mobilised from Contingency Margin to be offset against the ceilings in years 2018-20[9]. The payments for other special instruments are treated as being over and above the MFF ceilings for the purpose of the calculation of the GMP. The amount of the total ceiling to be taken into account for the calculation of the GMP is therefore EUR 138 684 million. Should institutions agree otherwise on payments for special instruments, the Commission shall take account of that agreement when calculating the GMP in future technical adjustments.

The payments executed in 2014 amount to EUR 138 922.7 million. This amount consists of the executed payments of the payment appropriations authorised in 2014

9 Decision (EU) 2015/435 of the European Parliament and of the Council of 17 December 2014 on the mobilisation of the Contingency Margin, OJ L 72, 17.3.2015, p. 4.

budget (EUR 137 135.6 million) and carry-overs from 2014 to 2015 (EUR 1 787.1 million)[10]. The payments for special instruments are excluded from the execution (EUR 342.7 million[11]) therefore the execution taken into account for the calculation of the GMP is EUR 138 580 million.

The remaining margin under the 2014 payment ceiling is EUR 104.2 million in current prices. According to Article 6(2) of the MFF Regulation, the 2% deflator shall be used for the calculation of the GMP and the corresponding adjustment of the ceilings. The 2014 ceiling is therefore reduced by EUR 104 million and the 2015 ceiling is increased by EUR 106 million in current prices. The overall payment ceiling in current prices corresponds to EUR 1 023 956 million.

The amount of GMP in 2011 prices corresponds to EUR 98 million. The payment ceiling in 2014 shall be decreased and the payment ceiling in 2015 increased by this amount. The overall payment ceiling for the period 2014-20 remains unchanged EUR 908 400 million in 2011 prices.

The table below shows the details of the calculation of the GMP and of the corresponding adjustments of the payment ceilings.

[10] Should any of the carry-overs from 2014-2015 lapse in 2015 the corresponding amount will be added to the calculation of the GMP in 2016.

[11] The difference to EUR 350 million (EUR 7.3 million) corresponds to underexecution of EGF.

	mil EUR	2014	2015	2016	2017	2018	2019	2020	total
(1)	PA ceiling (2011 prices) before GMP	**128 030**	**131 095**	131 046	126 777	129 778	130 893	130 781	**908 400**
(2)	PA ceiling (current prices) before GMP	**135 866**	**141 901**	144 685	142 771	149 074	153 362	156 295	**1 023 954**
(3)	**Mobilisation Contingency margin**	**2 818.2**							
(4)	**TOTAL CEILING TO COMPARE THE IMPLEMENTATION ON VOTED BUDGET**	**138 684.2**							
(5)	**Executed payments on the voted budget**	**137 135.6**							
(6)	Executed payments on the voted budget for EUSF	150.0							
(7)	Executed payments on the voted budget for EGF	6.9							
(8)	Executed payments on the voted budget for EAR	150.0							
(9)	Executed payments on the voted budget for Flexibility	0.0							
(10) = (6) + (7) + (8) + (9)	**Executed payments on the voted budget for special instruments**	**306.9**							
(11)	**Carry-overs 2014 to 2015**	**1 787.1**							
(12)	Carry over for EUSF	0.0							
(13)	Carry over for EGF	35.9							
(14)	Carry over for Flexibility	0.0							
(15) = (12) + (13) +	**Carry over of special instruments**	**35.9**							
(16) = (10) + (15)	**Total execution + carry-over for Special instruments (above ceilings)**	**342.7**							
(17) = (5) + (11) - (16)	**TOTAL EXECUTED PAYMENTS + CARRY-OVER 2014 TO 2015 EXCLUDING SPECIAL INSTRUMENTS**	**138 580.0**							
(18) = (4) - (17)	**GLOBAL MARGIN FOR PAYMENTS**	**104.2**							
(19)	adjustment ceilings (current prices)	**-104.0**	**106.0**						**2**
(20)	adjustment ceilings (2011 prices)	**-98.0**	**98.0**						**0**
(21) = (2) + (19)	**Adjusted payment ceilings (current prices)**	**135 762**	**142 007**	144 685	142 771	149 074	153 362	156 295	**1 023 956**
(22) = (1) + (20)	**Adjusted payment ceilings (2011 prices)**	**127 932**	**131 193**	131 046	126 777	129 778	130 893	130 781	**908 400**

4. SPECIAL INSTRUMENTS

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

4.1. Emergency Aid Reserve

According to Article 9 of the MFF Regulation, the *Emergency Aid reserve* can be mobilised up to a maximum amount of EUR 280 million per year in 2011 prices, or EUR 309 million in 2016 at current prices (EUR 2 209 million for the whole period in current prices). The portion of the unused amount of the previous year can be carried over.

4.2. European Union Solidarity Fund

According to Article 10 of the MFF Regulation, the *EU Solidarity Fund* can be mobilised up to a maximum amount of EUR 500 million per year in 2011 prices, or

EUR 552 million in 2016 at current prices (EUR 3 945 million for the whole period in current prices). The portion of the unused amount of the previous year can be carried over.

4.3. Flexibility Instrument

According to Article 11 of the MFF Regulation, the *Flexibility Instrument* can be mobilised up to a maximum annual amount of EUR 471 million in 2011 prices, or EUR 520 million in 2016 in current prices (EUR 3 716 million for the whole period in current prices). The portion of the unused annual amounts of the previous 3 years may be carried over.

4.4. European Globalisation Adjustment Fund

According to Article 12 of the MFF Regulation, the *European Globalisation Adjustment Fund* can be mobilised up to a maximum of EUR 150 million per year in 2011 prices, or EUR 166 million in 2016 in current prices (EUR 1 183 million for the whole period in current prices).

4.5. Contingency Margin

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

The absolute amount of the Contingency Margin for the year 2016 is EUR 4 438.2 million.

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

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

The margin left available under the commitment ceiling in 2014 amounts to EUR 521.9 million. This corresponds to the amount of margins under the ceiling for commitment appropriations in the final budget 2014. The commitments on Special instruments are not taken into account as they are implemented over and above the MFF ceilings.

According to Article 6(2) of the MFF Regulation, the 2% deflator shall be used for the calculation of the GMC. The amount of the remaining margin from 2014 which

shall be made available for 2016 corresponds to EUR 543.0 million in current prices[12]. The amount of GMC in 2011 prices corresponds to EUR 491.8 million.

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

	EUR million
Ceiling CA 2014	142.540,0
Total authorised appropriations budget 2014	142.690,3
of which special instruments:	672,2
European Union Solidarity Fund European Globalisation Adjustment Fund Emergency Aid Reserve Flexibility instrument	126,7 159,2 297,0 89,3
Global margin for commitments 2014 (2014 prices)	**521,9**
Global margin for commitments 2014 (2011 prices)	*491,8*
GMC available in 2016 (2016 prices)	**543,0**

[12] Should the whole or part of the amount be used in the years 2017-20, the amount shall be adjusted correspondingly by applying the 2% deflator in accordance with Article 6(2) of the MFF Regulation.