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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

Technical adjustment of the financial framework for 2018 in line with movements in GNI (ESA 2010)

(Article 6 of Council Regulation No 1311/2013 laying down the multiannual financial framework for the years 2014-2020) updating and replacing Communication COM(2017)220 final

1. INTRODUCTION

On 24 May 2017 the Commission adopted a Communication to the Council and to the European Parliament on technical adjustment of the financial framework for 2018 in line with movements in GNI (ESA 2010)[1]. Following the entry into force on 14 July 2017 of Council Regulation (EU, Euratom) No 2017/1123 amending Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework (MFF) for the years 2014-2020[2] as a result of the mid-term review/revision, the figures included in the Communication of 24 May 2017 in respect of the Emergency Aid Reserve and the Flexibilty Instrument should be updated for reasons of transparency. Therefore this Communication updates and replaces the Communication of 24 May 2017.

The adjustments of figures in this Communication result directly from the amendment of the MFF Regulation by Regulation (EU, Euratom) 2017/1123[3] and do not deviate from the provisions of Article 6(4) of the MFF Regulation, according to which no further technical adjustments than those referred to in Article 6(1) are made either during the year or ex-post.

The MFF Regulation as amended by Council Regulation (EU, Euratom) No 2015/623 of 21 April 2015[4] and as adjusted in the technical adjustment for 2017[5] contains the financial framework table for EU-28 for the period 2014-2020, expressed in 2011 prices (Table 1).

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

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.[7]

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1 COM (2017)220 final

2 OJ L 163, 24.6.2017, p. 1

3 In addition, an error concerning the carry-over from 2016 to 2017 of the Emergency Aid Reserve is corrected on page 6, as well as small presentational errors in the table on the global margin for payments on page 5, in amounts of the European Solidarity Fund on page 6 and in the table on the global margin for commitments on page 8.

4 OJ L 103, 22.4.2015, p.1.

5 COM(2016) 311 final of 30.6.2016.

6 https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2017-economic-forecast_en

7 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 transfers between pillar I

On 16 October 2016 the new Own Resource Decision 2014 (ORD 2014) entered into force retroactively from 2014 onwards.[8] With the ORD 2014 in force the ceilings of own resources and the ceiling for appropriations for commitments could be adapted to the new GNI data according to the European System of Accounts (ESA 2010). The maximum amount of own resources is now established at 1.20% of GNI (previously set at 1.23%) and the maximum amount of commitments at 1.26% of GNI (previously set at 1.29%)[9].

The purpose of this communication is to present to the Council and the European Parliament the result of the technical adjustments (EU-28) for 2018 according to Article 6 of the MFF Regulation.

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

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

Table 2 shows the financial framework for EU-28 adjusted for 2018 (i.e. in current prices). The financial framework expressed in percentage of GNI is updated with the latest economic forecasts available (spring 2017) and long-term projections and is adjusted according to Article 5 of the MFF Regulation.

2.1. Total figure for GNI

Compared to the Technical Adjustment for 2017 the figures for GNI are now recorded according to ESA 2010 instead of ESA 95.

According to the latest forecast available, the GNI for 2018 is established at EUR 15 704 241 million in current prices for EU-28. According to the Article 6 (4) of the MFF Regulation no further technical adjustments are made in respect of the year concerned, either during the year or as ex-post corrections during subsequent years. Therefore for information only, the updated GNI according to ESA 2010 is established at EUR 13 977 179 million for 2014, EUR 14 641 031 million for 2015, EUR 14 764 598 million for 2016 and EUR 15 168 167 million for 2017. For the same reason, the own resources ceiling currently established at 1.20% of GNI (ESA 2010) is adjusted only from 2018 onwards in the MFF table in the annex. For 2017 and previous years the own resources ceiling is shown at 1.23% of GNI based on ESA95.

2.2. Main results of the technical adjustment of the MFF for 2018

The overall ceiling for commitment appropriations for 2018 (EUR 159 514 million) equals 1.02 % of GNI.

The corresponding overall ceiling concerning the payment appropriations (EUR 154 565 million) equals 0.98% of GNI. On the basis of the latest economic forecasts, this leaves a margin beneath the 1.20% own resources ceiling of EUR 33 886 million (0.22% of GNI for EU-28).

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and rural development in accordance with the legal act establishing these transfers. For 2018 there are no additional transfers foreseen.

8 OJ L 168, 7.6.2014.

9 COM(2016) 829 final, 21.12.2016.

3. GLOBAL MARGIN FOR PAYMENTS (GMP)

According to Article 5 of the MFF Regulation, the Commission shall adjust the payment ceiling for the years 2015-2020 upwards by an amount equivalent to the difference between the executed payments and the MFF payment ceiling of the year n-1. Any upward adjustment shall be fully offset by a corresponding reduction of the payment ceiling for year n-1 in constant 2011 prices.

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

The payments for other special instruments are treated as being over and above the MFF ceilings[10]. The 2016 payment ceiling was EUR 144 685 million in current prices. The payments executed in 2016 amount to EUR 131 819.4 million. This amount consists of the executed payments of the payment appropriations authorised in the 2016 budget (EUR 130 164.4 million) and carry-overs from 2016 to 2017 (EUR 1 655.0 million)[11]. The payments for special instruments are excluded from the execution (EUR 1 016.3 million, consisting of EUR 984.7 million executed and EUR 31.7 million carried-over). Therefore the execution taken into account for the calculation of the GMP is EUR 130 803.0 million.

All carry-overs from 2015 to 2016 were counted as executed for the purposes of the calculation of the 2015 GMP but not all of them were actually executed. Therefore the lapsed carry-overs need to be added to the calculation as they in fact constitute underexecution. The lapsed carry-overs from 2015 to 2016 amount to EUR 109.4 million, of which EUR 0.1 million for the special instruments. The total amount of the lapsed carry-overs taken into account is thus EUR 109.3 million.

The remaining margin under the 2016 payment ceiling is EUR 13 991.3 million in current prices (i.e. EUR 144 685 million – EUR 130 803 + EUR 109.3 million).

According to Article 6(2) of the MFF Regulation, the 2% annual deflator shall be used for the calculation of the GMP and the corresponding adjustment of the ceilings. The 2016 ceiling is therefore reduced by EUR 13 991.3 million in current prices or EUR 12 672.0 million in 2011 prices.

In line with the expected profile of payment needs, the GMP is transferred to the payment ceilings of the years 2018 to 2020 in equal instalments in 2011 prices (EUR 4 281 million), which corresponds to an increase in current prices of EUR 4 852 million in 2018, EUR 4 949 million in 2019 and EUR 5 048 million in 2020.

This results in an unchanged overall payment ceiling for the period 2014-20 in 2011 prices and an increase of the overall payment ceiling by EUR 858 million in current prices.

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[10] Should the European Parliament, the Council and the Commission agree otherwise on payments for special instruments, the Commission shall take account of that agreement when calculating the GMP in future technical adjustments.

[11] Should any of the carry-overs from 2016-2017 lapse in 2017 the corresponding amount will be added to the calculation of the GMP in 2018.

The table below shows the details of the calculation of the GMP for 2016[12].

Global margin for payments				
mil EUR		2014	2015	2016
(1)	PA ceiling (2011 prices) before GMP	**128 030**	**131 193**	**131 046**
(2)	PA ceiling (current prices) before GMP	**135 866**	**142 007**	**144 685**
(3)	**Mobilisation Contingency margin**	**2 818.2**	**0.0**	**0.0**
(4) = (2) + (3)	**TOTAL CEILING TO COMPARE THE IMPLEMENTATION ON VOTED BUDGET**	**138 684.2**	**142 007.0**	**144 685.0**
(5)	**Executed payments on the voted budget**	**137 135.6**	**139 827.3**	**130 164.4**
(6)	Executed payments on the voted budget for EUSF	150.0	209.5	32.8
(7)	Executed payments on the voted budget for EGF	6.9	7.3	0.1
(8)	Executed payments on the voted budget for EAR	150.0	150.0	119.0
(9)	Executed payments on the voted budget for Flexibility instrument	0.0	11.3	832.8
(10) = (6) + (7) + (8) + (9)	**Executed payments on the voted budget for special instruments**	**306.9**	**378.1**	**984.7**
(11)	**Carry-overs from year n to year n+1**	**1 787.1**	**1 298.9**	**1 655.0**
(12)	Carry-over from year n to year n+1 for EUSF	0.0	0.0	31.5
(13)	Carry-over from year n to year n+1 for EGF	35.9	0.6	0.2
(14)	Carry-over from year n to year n+1 for EAR	0.0	0.0	0.0
(15)	Carry-over from year n to year n+1 for Flexibility	0.0	0.0	0.0
(16) = (12) + (13) + (14) + (15)	**Carry-over of special instruments**	**35.9**	**0.6**	**31.7**
(17) = (10) + (16)	**Total execution + carry-over of Special instruments**	**342.7**	**378.7**	**1 016.3**
(18) = (5) + (11) - (17)	**TOTAL EXECUTED PAYMENTS + CARRY-OVER n TO n+1 EXCLUDING SPECIAL INSTRUMENTS**	**138 580.0**	**140 747.5**	**130 803.0**
(19)	**Lapsed carry-overs (co) from year n-1 to year n**	**n/a**	**28.6**	**109.4**
(20)	Lapsed co from year n to year n+1 for EUSF	n/a	0.0	0.0
(21)	Lapsed co from year n to year n+1 for EGF	n/a	0.2	0.1
(22)	Lapsed co from year n to year n+1 for EAR	n/a	0.0	0.0
(23)	Lapsed co from year n to year n+1 for Flexibility	n/a	0.0	0.0
(24) = (20) + (21) + (22) + (23)	**Lapsed carry-over of special instruments**	n/a	**0.2**	**0.1**
(25) = (4) - (18) + (19) - (24)	**Remaining margin**	**104.2**	**1 287.9**	**13 991.3**
(26) = 25 rounded to millions	**GLOBAL MARGIN FOR PAYMENTS (current prices)**	**104.0**	**1 288.0**	**13 991.0**
(27) = (26) adjusted to 2011 prices using 2% deflator	**GLOBAL MARGIN FOR PAYMENTS (2011 prices)**	**98.0**	**1 190.0**	**12 672.0**

[12] A small presentational error was corrected compared to the Commission Communication of 24 May 2017 (COM(2017)220) indicating the method of calculation of (24)

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

Adjustment of the ceilings	2014	2015	2016	2017	2018	2019	2020	2014-20
Ceilings as adopted in Dec 2013								
2011 prices	**128 030**	**131 095**	**131 046**	**126 777**	**129 778**	**130 893**	**130 781**	908 400
current prices	135 866	141 901	144 685	142 771	149 074	153 362	156 295	1 023 954
GMP 2014								
adjustment of the ceilings (2011 prices)	-98.0	98						**0**
adjustment of the ceilings (current prices)	-104.0	106						**2**
Adjusted ceilings (Tech. adjustment for 2016)								
2011 prices	127 932	131 193	131 046	126 777	129 778	130 893	130 781	908 400
current prices	135 762	142 007	144 685	142 771	149 074	153 362	156 295	1 023 956
GMP 2015								
adjustment of the ceilings (2011 prices)		**-1 190.0**			**396**	**397**	**397**	**0**
adjustment of the ceilings (current prices)		**-1 288.0**			**455**	**465**	**474**	**106**
Adjusted ceilings GMP 2015								
2011 prices	**127 932**	**130 003**	**131 046**	**126 777**	**130 174**	**131 290**	**131 178**	**908 400**
current prices	**135 762**	**140 719**	**144 685**	**142 771**	**149 529**	**153 827**	**156 769**	**1 024 062**
Adjustment of Cohesion Policy envelopes TA 2017								
adjustment of the ceilings (2011 prices)				120	161	392	493	1 166
adjustment of the ceilings (current prices)				135	184	459	589	1 367
Adjusted ceilings (Tech. adjustment for 2017)								
adjustment of the ceilings (2011 prices)	**127 932**	**130 003**	**131 046**	**126 897**	**130 335**	**131 682**	**131 671**	**909 566**
adjustment of the ceilings (current prices)	**135 762**	**140 719**	**144 685**	**142 906**	**149 713**	**154 286**	**157 358**	**1 025 429**
GMP 2016								
adjustment of the ceilings (2011 prices)			**-12 672.0**		**4224**	**4224**	**4224**	**0**
adjustment of the ceilings (current prices)			**-13 991.0**		**4852**	**4949**	**5048**	**858**
Adjusted ceilings (Tech. adjustment for 2018)								
2011 prices	**127 932**	**130 003**	**118 374**	**126 897**	**134 559**	**135 906**	**135 895**	**909 566**
current prices	**135 762**	**140 719**	**130 694**	**142 906**	**154 565**	**159 235**	**162 406**	**1 026 287**

difference to the original ceilings	2014	2015	2016	2017	2018	2019	2020	2014-20
2011 prices	-98.0	-1 092.0	-12 672.0	120.0	4 781.0	5 013.0	5 114.0	1 166.0
current prices	-104.0	-1 182.0	-13 991.0	135.0	5 491.0	5 873.0	6 111.0	2 333.0

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 amended MFF Regulation the *Emergency Aid Reserve* can be mobilised up to a maximum amount of EUR 300 million per year in 2011 prices, or EUR 344.6 million in 2018 at current prices (EUR 2 301.4 million for the whole period in current prices). The portion of the unused amount of the previous year can be carried over to the following year. The carry-over from 2016 to 2017 amounts to EUR 98.6 million[13].

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 574.3 million in 2018 at current prices (EUR 3 944.7 million for the whole period in current prices). The portion of the unused amount of the previous year can be carried over to the following year. The carry-over from 2016 to 2017 amounts to EUR 563.1 million. The amount of EUR 508.1 million which lapsed at the end of 2016 is used to increase the Flexibilty Instrument in 2017.

13 The Commission Communication of 24 May 2017 (COM(2017)220) mistakenly reported this carryover at EUR 169 million

4.3. Flexibility Instrument

According to Article 11 of the amended MFF Regulation the *Flexibility Instrument* can be mobilised up to a maximum annual amount of EUR 600 million in 2011 prices, or EUR 676 million in 2017 and EUR 689 million in 2018 in current prices (EUR 4 315 million for the whole period in current prices). The portion of the unused annual amounts of the previous 3 years may be carried over.

According to Article 6(1)f refering to Art 11(1) second subparagraph *each year, starting in 2017, the annual amount available for the Flexibility Instrument in 2017 shall be increased by* the amounts equivalent to the portion of the annual amount for the European Union Solidarity Fund (EUR 508.1 million) and the European Globalisation Adjustment Fund (EUR 137.6 million) which have lapsed in the previous year.

The full amount of the Flexibility Instrument before 2017 has been used so that EUR 1 322 million in current prices are available in 2017 (= initial amount + lapsed amount European Union Solidarity Fund + lapsed amount European Globalisation Adjustment Fund).

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 172.3 million in 2018 in current prices (EUR 1 183.4 million for the whole period in current prices). Unused amounts of previous year cannot be carried over. The amount of EUR 137.6 million which lapsed at the end of 2016 is used to increase Flexibilty Instrument in 2017.

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 2018 is EUR 4 711.3 million.

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

According to Article 14 of the MFF Regulation, 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. Council Regulation (EU, Euratom) No 2017/1123 extends the scope of the GMC so that it can now be allocated also to migration and security measures.

In the final budget 2016 the margin left available under the commitment ceiling in 2016 amounts to EUR 2 090.2 million. . The commitments on Special instruments and the GMC of 2014 used in 2016 are not taken into account as they are implemented over and above the MFF ceilings.

According to Article 6(2) of the MFF Regulation, the 2% annual deflator shall be used for the calculation of the GMC. The amount of the remaining margin from 2016 which shall be made available for 2017 corresponds to EUR 2 090.2 million in current prices in 2016 or EUR 2 132.0 million in current prices in 2017[14] (EUR 2 174.7 million in current prices in 2018). The amount of GMC in 2011 prices corresponds to EUR 1 893.2 million.

The table below shows the details of the calculation of the GMC[15].

Global margin for commitments - 2016	
	EUR million
Ceiling CA 2016	154 738.0
Total authorised appropriations budget 2016	155 276.9
of which special instruments:	2 629.1
European Union Solidarity Fund	81.5
European Globalisation Adjustment Fund	165.6
Emergency Aid Reserve	309.0
Flexibility instrument	1 530.0
GMC mobilized in 2016	543.0
Global margin for commitments 2016 (current prices)	**2 090.2**
Global margin for commitments 2016 (2011 prices)	*1 893.2*
GMC 2016 available in 2017 (current prices)	**2 132.0**
GMC 2016 available in 2018 (current prices)	**2 174.7**

5. SUMMARY TABLE AND CONCLUSIONS

The tables below summarise the changes to the ceilings for commitment and payment appropriations in the financial framework based on Article 5 of the MFF Regulation in current and 2011 prices:

(EUR million, current prices)	2014	2015	2016	2017	2018	2019	2020	2014-2020
Total change in commitment appropriations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total change in payment appropriations			**-13 991**	**0**	**4 852**	**4 949**	**5 048**	**858**
of which: GMP			-13 991		4 852	4 949	5 048	858

(EUR million, 2011 prices)	2014	2015	2016	2017	2018	2019	2020	2014-2020
Total change in commitment appropriations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total change in payment appropriations			**-12 672**	**0**	**4 224**	**4 224**	**4 224**	**0**
of which: GMP			-12 672		4 224	4 224	4 224	0

[14] Should the whole or part of the amount be used in the years 2018-20, the amount shall be adjusted correspondingly by applying the 2% annual deflator in accordance with Article 6(2) of the MFF Regulation.

[15] A small presentational error was corrected compared to the Commission Communication of 24 May 2017 (COM(2017)220) indicating the amount of GMC 2016 available in 2017 and in 2018.