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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Technical adjustment of the financial framework for 2021 in accordance with Article 4 of Council Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027

1. INTRODUCTION

Council Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027[1] (MFF Regulation) contains the financial framework table for EU-27 for the period 2021-2027, expressed in 2018 prices (Table 1).

The purpose of the present communication is to provide to the budgetary authority the result of the technical adjustment for 2021 in accordance with Article 4 of the MFF Regulation. In particular, the technical adjustment establishes the expenditure ceilings at current prices based on the fixed 2% deflator as provided for in Article 4(2) of the MFF Regulation.

On the basis of the latest economic forecasts[2], the communication also provides a calculation of the margin under the own resources ceiling set in accordance with the Council Decision on the system of own resources of the European Union adopted in accordance with Article 311(3) TFEU which is currently in force[3].

The communication also presents the calculation of the amounts available under the Single Margin Instrument under Article 11 of the MFF Regulation. Starting for the year 2022, the Commission will also calculate, as provided in Article 5 of the MFF Regulation, the programme specific adjustments to the programmes listed in Annex II of the MFF Regulation and include it in the communication on the technical adjustment.

In accordance with Article 4(1) of the MFF Regulation, the Commission will make the technical adjustment to the financial framework and communicate the results to the budgetary authority each year, ahead of the budgetary procedure for year n+1. Given that the technical adjustment for 2021 is based on the provisions of the MFF Regulation that was not adopted before the start of the budgetary procedure for 2021, this adjustment was, exceptionally, not made ahead of the budgetary procedure. The budget for 2021 should be, however, in line with the ceilings and amounts that result from this technical adjustment.

According to Article 4(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.

2. TERMS OF THE ADJUSTMENT OF THE MULTIANNUAL FINANCIAL FRAMEWORK TABLE (ANNEX - TABLES 1-2)

Table 1 in the Annex shows the multiannual financial framework for EU-27 in 2018 prices of the MFF Regulation adjusted according to Article 2(1).

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1 Not yet published in the Official Journal

2 European Commission Autumn 2020 forecast: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/autumn-2020-economic-forecast_en

3 Council Decision of 26 May 2014 on the system of own resources of the European Union (2014/335/EU, Euratom), OJ L 168, 7.6.2014, p. 105.

Table 2 shows the multiannual financial framework for EU-27 adjusted in current prices.

The financial framework expressed in percentage of the Union's gross national income (GNI) is updated with the latest economic forecasts available from the European Commission (Autumn 2020). Based on that forecast, the GNI for 2021 is established at EUR 13 896 720 million in current prices for EU-27.

2.1. Main results of the technical adjustment of the Multiannual Financial Framework for 2021

The overall MFF ceiling for commitment appropriations for 2021 stands at EUR 163 483 million in current prices, which equals 1,18% of GNI. The overall MFF ceiling for payment appropriations corresponds to EUR 166 140 million in current prices, equivalent to 1,20% of GNI.

In application of the Council Decision on the system of own resources currently in force, this leaves a margin beneath the own recourses ceiling for payment appropriations of EUR 621 million. However, in application of Council Decision of 14 December 2020, 2020/2053/EU, Euratom on the system of own resources, the own resources ceiling for payment appropriations is set at 1.40% of GNI, which is equivalent to EUR 194 554 million in 2021. This would result in a margin between the MFF ceiling for payment appropriations and the own resources ceiling for payments appropriations of EUR 28 414 million, or 0,20% of GNI. Once the Council Decision 2020/2053/EU, Euratom enters into force, it will apply retroactively as of 1 January 2021.

The table below provides information for the period 2021-2027 on the margin in percentage of GNI between the MFF ceiling for payment appropriations and the own resources ceiling for payment appropriations of 1.20% of GNI currently in force. For information purposes, the table also provides the margin on the basis of the proposed new own resource ceiling of 1.40% of GNI.

In % of GNI EU27	2021	2022	2023	2024	2025	2026	2027	2021-2027
MFF ceiling for payment appropriations	1.20%	1.15%	1.10%	1.09%	1.07%	1.06%	1.06%	1.10%
Margin beneath the own resources ceiling in application of Council Decision 2014/335/EU, Euratom	0.00%	0.05%	0.10%	0.11%	0.13%	0.14%	0.14%	0.10%
Margin beneath the own resources ceiling in application of Council Decision 2020/2053/EU, Euratom	0.20%	0.25%	0.30%	0.31%	0.33%	0.34%	0.34%	0.30%

2.2. Adjustment of the sub-ceiling for Heading 3

According to Article 2(1) of the MFF Regulation, the sub-ceiling for heading 3 for market related expenditure and direct payments (pillar I of the Common Agricultural Policy - CAP) in the period 2021 to 2027 shall be adjusted following the transfers between the first and second pillars of the CAP in accordance with the legal act establishing these transfers. The total amount of the ceiling for commitment appropriations for Heading 3 does not change.

The sub-ceiling of Heading 3 is adjusted for the first time in the technical adjustment of the MFF for 2021.

The deadline for submitting notifications by Member States to the Commission was 31 December 2019 and 8 February 2020. The result was set out in Commission Delegated Regulation (EU) 2020/756 of 1 April 2020[4]. In the light of the COVID-19 crisis, this Delegated Regulation was further amended by Commission Delegated Regulation (EU) 2020/1314 of 10 July 2020[5].

The modification of the sub-ceiling in Heading 3 in current prices needs to be translated into 2018 prices in order to technically adjust the MFF table in 2018 prices. For this purpose the net balance is first transformed into 2018 prices by using the 2% fixed deflator. This is then rounded up to obtain the adjusted 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 expenditure under the European Agricultural Guarantee Fund (EAGF). The resulting small difference does not constitute an available margin, but is exclusively arising from the rounding operation. For each annual budget, the Commission will use the exact amounts of the net balance available for EAGF expenditure.

The table below shows the net result (in million euro) of the transfer between the two pillars of CAP and their impact for Heading 3 sub-ceiling.

Sub-ceiling for EAGF (market related expenditures and direct payments) after transfers in current and 2018 prices

	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2021-2027**
	- in current prices -							
Initial H3 sub-ceiling	40 925.000	41 257.000	41 518.000	41 649.000	41 782.000	41 913.000	42 047.000	291 091.000
H3 subceiling set in Technical adjustment 2021	40 368.000	41 257.000	41 518.000	41 649.000	41 782.000	41 913.000	42 047.000	290 534.000
Total net transfers (P1 to P2) compared to initial sub-ceiling	- 557.046	0.000	0.000	0.000	0.000	0.000	0.000	- 557.046
EAGF net balance after all transfers	40 367.954	41 257.000	41 518.000	41 649.000	41 782.000	41 913.000	42 047.000	290 533.954
H3 sub-ceiling after transfers	40 368.000	41 257.000	41 518.000	41 649.000	41 782.000	41 913.000	42 047.000	**290 534.000**
Rounding difference	*0.046*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.046*
Difference to original sub-ceiling after all transfers	***- 557.000***	***0.000***	***0.000***	***0.000***	***0.000***	***0.000***	***0.000***	***- 557.000***
Annual deflator	1.061	1.082	1.104	1.126	1.149	1.172	1.195	
	- in 2018 prices -							
Initial H3 sub-ceiling	38 564.000	38 115.000	37 604.000	36 983.000	36 373.000	35 772.000	35 183.000	258 594.000
H3 subceiling set in Technical adjustment 2021	38 040.000	38 116.000	37 605.000	36 984.000	36 374.000	35 773.000	35 184.000	258 076.000
EAGF net balance after all transfers	38 039.625	38 115.000	37 604.000	36 983.000	36 373.000	35 772.000	35 183.000	258 069.625
H3 sub-ceiling after all transfers	38 040.000	38 115.000	37 604.000	36 983.000	36 373.000	35 772.000	35 183.000	**258 070.000**
Rounding difference	*0.375*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.375*
Difference to original sub-ceiling after all transfers	***- 524.000***	***0.000***	***0.000***	***0.000***	***0.000***	***0.000***	***0.000***	***- 524.000***

[4] Commission Delegated Regulation (EU) 2020/756 of 1 April 2020 amending Annexes II and III to Regulation (EU) No 1307/2013 of the European Parliament and of the Council, OJ L 179, 9.6.2020, p. 1.

[5] Commission Delegated Regulation (EU) 2020/1314 of 10 July 2020 amending Annexes II and III to Regulation (EU) No 1307/2013 of the European Parliament and of the Council as regards the national and net ceilings for direct payments for certain Member States for calendar year 2020, OJ L 307, 22.9.2020, p. 1

3. SPECIAL INSTRUMENTS

A number of special instruments are available outside expenditure ceilings of the multiannual financial framework 2021-2027. These instruments aim to ensure rapid response to exceptional or unforeseen events, and to provide flexibility beyond the agreed expenditure ceilings within certain limits.

3.1. Thematic Special Instruments

3.1.1. European Globalisation Adjustment Fund

According to Article 8 of the MFF Regulation, the *European Globalisation Adjustment Fund* can be mobilised up to a maximum of EUR 186 million per year in 2018 prices, or EUR 197.4 million in 2021 in current prices (EUR 1 467.4 million for the whole period in current prices[6]). Unused amounts of previous year cannot be carried over.

3.1.2. Solidarity and Emergency Aid Reserve

According to Article 9 of the MFF Regulation, the Solidarity and Emergency Aid Reserve can be mobilised up to a maximum amount of EUR 1 200 million per year in 2018 prices, or EUR 1 273.4 million in 2021 at current prices (EUR 9 467.2 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.

At the date of this communication, an amount of EUR 47 981 598 of the EU Solidarity Fund is unused and will be carried over from 2020 to 2021.

3.1.3. Brexit Adjustment Reserve

According to Article 10 of the MFF Regulation, the Brexit Adjustment Reserve can be mobilised for a total amount of EUR 5 000 million in 2018 prices over the period 2021-2027. The amount shall be entered in the budget as a provision.

3.2. Non-thematic Special Instruments

3.2.1. Single Margin Instrument

In accordance with Article 4(1)(c) of the MFF Regulation, the technical adjustment shall communicate the amount available in commitment appropriations under the Single Margin Instrument as referred to in point (a) of the first subparagraph of Article 11(1). No amount is yet available in 2021.

The total maximum amount referred to in point (a) of the first subparagraph of Article 11(2) is 0.04% of the EU-27 GNI, that is equivalent to EUR 5 558.7 million in 2021.

The total maximum amount referred to in point (b) of the first subparagraph of Article 11(2) is 0.03% of the EU-27 GNI, that is equivalent to EUR 4 169.0 million in 2021.

In accordance with Article 4(1)(d) of the MFF Regulation, the technical adjustment shall communicate the amount of the adjustment of the ceiling for payment

[6] In accordance with the MFF Regulation the conversion is based on a 2% fixed deflator. The result in current prices is expressed in millions and is rounded to three decimal digits.

appropriations under the Single Margin Instrument as referred to in point (b) of the first subparagraph of Article 11(1). No amount is yet available in 2021.

3.2.2. Flexibility Instrument

According to Article 12 of the MFF Regulation, the *Flexibility Instrument* can be mobilised up to a maximum annual amount of EUR 915 million in 2018 prices, or EUR 971.0 million in 2021 in current prices (EUR 7 218.7 million for the whole period in current prices). The portion of the unused annual amounts of the previous two years may be carried over.

4. SUMMARY TABLE AND CONCLUSIONS

The tables below summarise the changes to the ceilings for commitment and payment appropriations in the financial framework based on Articles 2(1) and 4 of the MFF Regulation in current and 2018 prices:

EUR million, current prices	2021	2022	2023	2024	2025	2026	2027	2021-2027
1. Single Market, Innovation and Digital								0
2. Cohesion, Resilience and Values								0
2a. Economic, social and territorial cohesion								0
2b. Resilience and Values								0
3. Natural Resources and Environment								0
Market related expenditure and direct payments	-557							-557
4. Migration and Border Management								0
5. Security and Defence								0
6. Neighbourhood and the World								0
7. European Public Administration								0
of which: Administrative expenditure of the institutions								0
Total change in commitment appropriations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0
Total change in payment appropriations								0
of which:								0

EUR million, 2018 prices	2021	2022	2023	2024	2025	2026	2027	2021-2027
1. Single Market, Innovation and Digital								0
2. Cohesion, Resilience and Values								0
2a. Economic, social and territorial cohesion								0
2b. Resilience and Values								0
3. Natural Resources and Environment								0
Market related expenditure and direct payments	-524							-524
4. Migration and Border Management								0
5. Security and Defence								0
6. Neighbourhood and the World								0
7. European Public Administration								0
of which: Administrative expenditure of the institutions								0
Total change in commitment appropriations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	0
Total change in payment appropriations								0
of which:								0