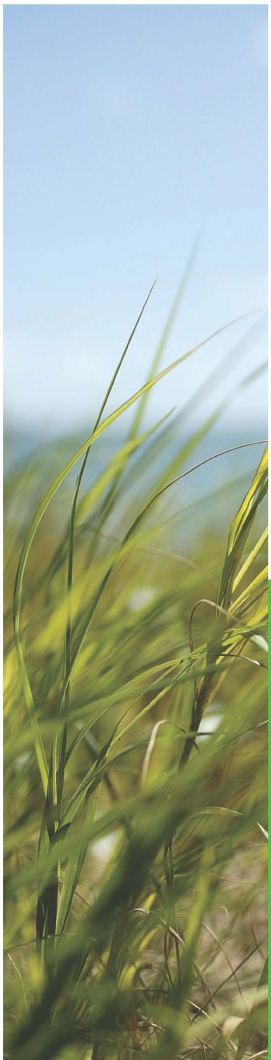
EUROPEAN PARLIAMENT

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT B
STRUCTURAL AND COHESION POLICIES



Agriculture and Rural Development

Culture and Education

Fisheries

Regional Development

Transport and Tourism

EUROPEAN COUNCIL CONCLUSIONS ON THE MULTIANNUAL FINANCIAL FRAMEWORK 2014/2020 AND THE CAP

NOTE

EN

2013

EUROPEAN PARLIAMENT

DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

AGRICULTURE AND RURAL DEVELOPMENT

EUROPEAN COUNCIL CONCLUSIONS ON THE MULTIANNUAL FINANCIAL FRAMEWORK 2014/2020 AND THE CAP

PROVISIONAL NOTE
VERSION 1

Work in Progress

This document was requested by the European Parliament's Committee on Agriculture and Rural Development.

AUTHORS

POLICY DEPARTMENT B members:
Mr Jonathan LITTLE
Mr Albert MASSOT
Mr Guillaume RAGONNAUD
Mr Francesco TROPEA

COORDINATION AND EDITORIAL RESPONSABILITY

Mr Albert MASSOT
Policy Department B: Structural and Cohesion Policies
European Parliament
B-1047 Brussels
E-mail: poldep-cohesion@europarl.europa.eu

EDITORIAL ASSISTANCE

Mrs Catherine MORVAN

LINGUISTIC VERSIONS

Original: EN

ABOUT THE EDITOR

To contact the Policy Department or to subscribe to its monthly newsletter please write to:
poldep-cohesion@europarl.europa.eu

Manuscript completed in February 2013.

This document is available on the Internet at:
http://www.europarl.europa.eu/studies

EUROPEAN PARLIAMENT

DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

AGRICULTURE AND RURAL DEVELOPMENT

EUROPEAN COUNCIL CONCLUSIONS ON THE MULTIANNUAL FINANCIAL FRAMEWORK 2014/2020 AND THE CAP

PROVISIONAL NOTE
VERSION 1

Work in Progress

Abstract:

This is the second working paper written by Policy Department B on the CAP inside the Multiannual Financial Framework for the 2014–2020 period. The purpose of this document is to provide a comparison between the European Council Conclusions of 7–8 February 2013 and the positions of the EP at the current stage of the financial and sector specific CAP negotiations. It should be regarded as being 'work in progress' and subject to revision as the negotiations develop. At this stage, the aim is to provide qualitative and quantitative information to COMAGRI Members relating to the financial concerns of the CAP before the EP Plenary confirms the negotiating mandate on the CAP Reform package in March 2013.

IP/B/AGRI/NT/2013_4 27 FEBRUARY 2013

PE 495.846 EN

CONTENTS

LIST OF ABBREVIATIONS

CAP	Common Agricultural Policy
CMO	Common Market Organisation (CAP)
COMAGRI	European Parliament's Committee on Agriculture and Rural Development
DP	Direct Payments (CAP)
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EC	European Commission
EIP	European Innovation Partnership
EMFF	European Maritime and Fisheries Fund
EP	European Parliament
ESF	European Social Fund
EU	European Union
FPAs	Fisheries Partnerships Agreements
GNI	Gross National Income
HZR	Horizontal Regulation (CAP)
IIA	Interinstitutional Agreement
MFF	Multiannual Financial Framework
MS	Member States (of the European Union)
RD	Rural Development (CAP)
RFMOs	Regional Fisheries Management Organisations
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union

LIST OF TABLES

LIST OF FIGURES

1. INSTITUTIONAL BACKGROUND

1.1. Current MFF interinstitutional negotiations in the light of TFEU provisions

The Treaty of Lisbon incorporated for the first time the '*Multiannual Financial Framework*' (MFF) ([1]) and its rules into primary legislation through Articles 310(4) ([2]), 320 ([3]) and, in particular, ***Article 312 of the TFEU*** (*Treaty of the Functioning of the European Union*) ([4]). This Article 312:

- establishes the duration of the existing MFF (***at least five years***) (Article 312(1));
- creates a *special legislative procedure* for the adoption of the ***Regulation laying down the MFF***, entailing new cooperation arrangements among the European Institutions, so that the decision on the MFF will be taken by the Council deciding unanimously ***after*** receiving ***the Parliament's consent*** given by a majority of its component members (Article 312(2), first paragraph);
- stipulates the ***role of the European Council*** who may, unanimously, adopt a decision *authorising the Council* to act by a qualified majority when adopting the MFF regulation (Article 312(2), second paragraph);
- formalises the *contents of the Union's multiannual programming*, based on categories of expenditure corresponding to the Union's major sectors of activity; the MFF determines the amounts of the annual ceilings on commitment and payment appropriations (Article 312(3));
- stipulates that *if no regulation determining a new MFF has been adopted* by the end of the previous financial framework, the ceilings and '*other provisions*' corresponding to the last year shall be extended until such time as that act is adopted (Article 312(4)); following these provisions, ***if there is no agreement*** before the end of 2013, the ***current ceilings will be automatically extended to 2014, plus a 2% inflation*** adjustment ([5]);
- and, finally, the TFEU imposes on the European Institutions the duty to carry out negotiations in order ***to ensure the adoption*** of the Multiannual Financial Framework (Article 312(5)).

According to Article 312(2), the ***European Council's Summit*** which took place on 7–8 February 2013 reached agreement on the ***Multiannual Financial Framework 2014/2020*** ([6]). This *political compromise* of the EU Heads of State and Government constitutes no more than ***a negotiating mandate for the Council*** fixing the levels of

[1] Policy Department B already published a first working paper on agricultural spending inside MFF 2014/2020 proposal: "*The CAP in the Multiannual Financial Framework 2014/2020*", IP/B/AGRI/NT/2011_12, PE 460.067, 14 October 2011. Available on: http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=49111. This note continues and updates the former analysis done in 2011.

[2] *Article 310(4) TFEU* inserts provisions on *budgetary discipline*, which also mention the "*Multiannual Financial Framework*".

[3] *Article 320 TFEU* stipules that the MFF shall be drawn up in Euros.

[4] Consolidated versions of the Treaty on European Union (TEU) and of the Treaty on the Functioning of the European Union (TFEU) are available in the OJ C 83 of 30 March 2010. See: http://www.consilium.europa.eu/treaty-of-lisbon.aspx?lang=en and http://eur-lex.europa.eu/JOHtml.do?uri=OJ:C:2010:083:SOM:EN:HTML

[5] In this eventuality, the European Parliament would be ready to reach a swift agreement with the Council and Commission to adapt the current structure of the MFF to reflect the new political priorities (see Point 83 of EP Resolution of 23.10.2012 - P7_TA-PROV(2012)0360).

[6] The 7/8 February 2013 European Council Conclusions on MFF are available on http://www.consilium.europa.eu/press/press-releases/european-council?lang=en&BID=76 and, in particular, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf.

commitments as well as other financial provisions for the 2014/2020 period. In fact, the European Council does not have the role of legislator in the Treaty, but just the mission to provide necessary impetus for developing European integration as well as to define the general political directions and priorities thereof (Article 15(1) TEU).

So, it falls to the European Parliament and Council, the ordinary legislative bodies (Article 14(1) TEU), to launch formal negotiations on the future *MFF*. We can presume that the agreement reached by the European Council in February represents a point of balance between the opposing national interests. The long string of national exceptions and specific compensations inserted inside the Summit's Conclusions confirm the arduous compromise finally found by Member States. Now it is the European Parliament's turn to check if this compromise coincides with the European citizens' interests (according to Article 10(2) TEU).

The ***EP Plenary*** adopted ***two Resolutions of 8 June 2011*** ([7]) and ***23 October 2012*** ([8]) defining its main political priorities for the MFF 2014/2020. It is likely that another indicative vote will take place shortly to present the broad outlines of the House's position.

In the document of Conclusions of the Summit (Point 11, last paragraph), the European Council invites to the (Irish) Presidency of the Council to rapidly take forward ***discussions with the European Parliament*** in order to adopt as soon as possible ***three legislative texts*** following the ***different procedures*** enshrined in the Treaty:

- the ***Regulation laying down the MFF*** for the years 2014–2020 by means of the '*special legislative procedure*' mentioned by Article 312(2) TFEU, including the *necessary consent* from the European Parliament;
- the ***Decision on the EU system of own resources*** of the European Union as well as its implementing measures in accordance with a '*special legislative procedure*' as is established by Article 311, third paragraph, TFEU; this Decision is adopted by the Council unanimously after *merely consulting* the European Parliament;
- the ***Interinstitutional Agreement*** (IIA) on cooperation in budgetary matters and on sound financial management pursuant to Article 295 TFEU.

These texts are to be considered as ***a whole***, even though different legislative procedures and institutional powers are involved in their adoption. So, the principle that "*nothing is agreed until everything is agreed*" is in use ([9]). On this basis, the European Parliament already pointed out that the Interinstitutional Agreement on budgetary cooperation could be finalised *only after the MFF regulation procedure* has been completed ([10]).

In function of the evolution of the fully-fledged negotiations between both legislative bodies, the Council would formally request ***Parliament's consent*** concerning the proposal of the '*MFF regulation*' ([11]) as well as the '*Decision on own resources*' for consultation.

[7] Resolution P7_TA(2011)0266 (http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2011-0266+0+DOC+XML+V0//EN&language=EN).

[8] Resolution P7_TA-PROV(2012)0360, adopted immediately before the European Council Summit of November 2012, dedicated to the MFF (http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0360+0+DOC+XML+V0//EN&language=EN)

[9] See Point 80 of EP Resolution of 23.10.2012 (P7_TA-PROV(2012)0360).

[10] See Point 82 of EP Resolution of 23.10.2012 (P7_TA-PROV(2012)0360).

[11] Following Rules 75 and 81 of Parliament's Procedure Rules ("*MFF*" and "*Consent procedure*").

- ***The Treaty of Lisbon consolidated the "Multiannual Financial Framework' as well as developing its legislative rules inside the TFEU.***

- ***The 'MFF package 2014/2020' to be negotiated by the EU legislative bodies (European Parliament and Council) includes three texts on the: 1) MFF Regulation; 2) Decision on the system of EU own resources; and 3) Interinstitutional Agreement (IIA) on cooperation in budgetary matters and on sound financial management.***

- ***The European Council Agreement of 7–8 February 2013 could be considered merely a political compromise among the EU Heads of State and governments. It constitutes a negotiating mandate for the Council in order to take forward discussions with the European Parliament on the 'MFF package'.***

- ***Legal proposals on the 'MFF package' will be submitted to the EP in function of the development of prior (informal) negotiations between the legislative bodies (Council and EP).***

1.2. Relationship between EU 2020 Strategy, MFF Package, CAP Reform and the implementing calendar

The ***Multiannual Financial Framework 2014/2020*** should be seen in the broader context of the ***Europe 2020 Strategy*** ([12]), presented by the Commission in March 2010. This dictated that future EU financing should, above all, be designed to help deliver smart, sustainable and inclusive growth. It also meant directing it towards collective challenges like infrastructures, energy or climate change.

Concerning agriculture, the Conclusions of the European Council of 17 June 2010, adopting the Europe 2020 Strategy ([13]) recognised that "*a sustainable productive and competitive agricultural sector will make an important contribution to the new strategy, considering the growth and employment potential of rural areas while ensuring fair competition*".

Furthermore, the *MFF negotiations* which began in June 2011 are running in parallel with the *negotiations on the* ***CAP reform***, for which proposals were presented by the Commission in October 2011 ([14]). The EP ***Committee on Agriculture and Rural Development*** (COMAGRI) approved the amendments on the '*agricultural package*' in January 2013 ([15]). The Full House will vote on the amended CAP dossiers at the ***March***

[12] "*Europe 2020: A strategy for smart, sustainable and inclusive growth*", COM (2010) 2020, 3.3.2010.
[13] Conclusions of European Council, 17 June 2010 (in particular, Point 5). (http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/115346.pdf).
[14] http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index_en.htm
[15] The CAP Reform proposals include *four new Regulations* on *Direct Payments (DP)*, *Rural Development (RD)*, markets policy (*CMO)* and *Financing, Management and Monitoring (Horizontal Regulation - HZR)*. See procedure files:
- DP: http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2011/0280(COD)&l=EN
- RD: http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2011/0282(COD)&l=EN
- CMO: http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2011/0281(COD)&l=EN
- HZR: http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2011/0281(COD)&l=EN

Plenary session. This vote would take the form of a ***negotiating mandate*** on the CAP reform instead of a full legislative resolution ([16]).

In other words, the ***timings*** of the MFF negotiation and the CAP reform process ***will converge and become mutually interdependent***. With the backdrop of budgetary cuts decided by the European Council, agriculture will be particularly at the core of both negotiating processes, given that the CAP is currently the ***EU's single largest item of expenditure*** (representing 43.3% of the total 2012 adopted Budget) ([17]).

It is important to highlight that the European Parliament has always ***differentiated the fields of the MFF negotiations*** and the ***agricultural negotiations.*** Relating to the MFF regulation, to be adopted by a special legislative procedure according to Article 312(2) TFUE (see §1.1), negotiations are conducted by the Budget Committee and the so-called '*Contact Group*' inside the EP. The ***CAP reform negotiations***, founded on the ordinary legislative procedure, are led by COMAGRI. On this basis, COMAGRI's amendments already adopted (on direct support, single CMO, rural development and financing) ***cover all provisions included in the regulation proposals*** presented by the Commission.

In contrast to the European Parliament's approach, the ***Council does not clearly differentiate between financial negotiations and the CAP process***. The Danish Presidency incorporated the overall financial questions relating to Heading 2 of the MFF (Section 3) into the so-called '***Negotiating Box***' including the:

- Overall size of agricultural spending inside Heading 2 and the division between Pillar 1 and Pillar 2;
- model for redistribution of direct support and convergence across Member States.
- capping of support to large farms;
- weight of the greening component of direct payments;
- flexibility between Pillars;
- criteria for distribution of rural development support;
- co-financing rates for rural development support;
- financial discipline rules; and
- funding of agricultural crisis reserve.

The ***European Council Conclusions of 7–8 February have taken up again this financial logic***, mixing topics of the MFF Regulation and the CAP Reform ([18]). This approach risks distorting Council mandates as well as the whole negotiations. It could also ***undermine agricultural codecision (and the competences of COMAGRI's negotiators)*** if the Council insist imposing on the European Parliament their global financial agreement as only one package inside the MFF regulation.

[16] Following new Rule 70 of Parliament's Procedure Rules ("Procedure on interinstitutional negotiations in legislative procedures") as modified on 20 November 2012: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0422+0+DOC+XML+V0//EN
Negotiating mandates proposed by COMAGRI are available at http://www.europarl.europa.eu/committees/fr/agri/home.html:
- DP: B7-0079/2013
- CMO: B7-0080/2013
- RD: B7-0081/2013
- HZR: B7-0082/2013

[17] See: http://ec.europa.eu/budget/library/biblio/publications/2011/fin_report/fin_report_11_en.pdf (Financial Report 2011, pp. 96–97).

[18] Points 64 to 75 of European Council of 7–8 February 2013 (see Section 5 for more details).

Anyway, the European Parliament's Resolution of 23 October 2010 on MFF negotiations (Point 81) reiterated "*its firm position that the MFF* ***special legislative procedure should not address issues that are subject to ordinary legislative procedure***" ([19]). In this context, the '***MFF regulation' to be presented by the Council to the EP might exclude the specific agricultural proposals*** of the '*Negotiating Box*', adopted by the European Council.

Finally, it is worth recalling that, ***if there is no financial agreement before the end of 2013***, the ***2013 ceilings would remain*** in 2014, plus a 2% inflation adjustment ([20]). However, the effect of the delay would be evident with the multiannual programmes (in rural development, cohesion policy, research framework, etc) even if possible ***transitional measures*** updated the current structure of the MFF in order to advance some new political priorities.

Independently of whether the 'MFF regulation' is adopted before the end of 2013, the CAP will need some ***transitional measures***, given that it could be very difficult to ensure that the Member States will be ready to implement the new provisions for direct payments and rural development programmes in time for January 2014. These transitional measures would define ***new rules and a new calendar facilitating the implementation of the new CAP for 2014***([21]).

'Transitional measures' will ***probably be presented by the Commission this spring*** as a modification of the current CAP basic acts in order to be approved before December 2013 by ordinary legislative procedure.

- ***The 'European 2020 Strategy' frames the 'MFF package 2014/2020' negotiations.***
- ***The timings of the MFF negotiation and the CAP reform process will overlap and become mutually interdependent***.
- ***In contrast with the European Parliament's approach, the Council does not clearly differentiate between financial negotiations and the CAP reform process***. ***The 'Financial Negotiating Box' created by the Council is taken up again by the European Council. If Council finally includes agricultural provisions inside the 'MFF regulation' proposal, the codecision process could be undermined.***
- ***If there is no financial agreement before the end of 2013***, ***the 2013 ceilings would remain in 2014, plus a 2% inflation adjustment.***
- ***In order to facilitate the implementation of the new CAP by Member States for the 2014 year, some 'transitional measures' will be presented by the Commission, to be adopted by European Parliament and Council in codecision before the end of 2013.***
- ***These 'transitional measures' could also include 'financial discipline' rules for 2014.***

---

[19] In this regard, EP Resolution of 23.10.2012 also highlighted the importance of the opinions of the EP committees regarding financial negotiations as they complement and provide valuable guidance and further details on the MFF/IIA negotiation guidelines laid own in the same Resolution (see point 81 - P7_TA-PROV(2012)0360).

[20] According to Article 312(4) TFEU) (see §1.1 and Footnote (5)).

[21] In the absence of a (buffer) margin between the net budget ceiling and spending requirements, *'financial discipline'* will probably be applied in financial year 2014, with the rules already approved last year in the transitional regulation for 2013 (Regulation (EU) No 671/2012 of the European Parliament and of the Council of 11 July 2012 amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013, OJ L 204, 31.7.2012, p. 11–17)

1.3. CAP linkages with other common policies inside MFF negotiations

Linkages of the CAP Reform process with other negotiations in progress on common policies ***must be taken account in the analysis of MFF 2014/2020***.

The ***Cohesion policy package*** for example, the mandate for which was already adopted by the European Parliament in 2012, develops a *new Strategic Framework for Structural Funds* (COM (2011) 615) including the European Agricultural Fund for Rural Development (EAFRD). The European Council develops these cohesion provisions in points 20 to 55 of their Conclusions. Concerning ***research***, the *European Innovation Partnership (EIP)* network ([22]) is also dealt with inside the Rural Development Policy proposal (COM (2011) 809 & 811). The European Council does not mention a specific amount for research policy in the Summit's Conclusions, but it may well be affected by the reduction proposed for Sub-Heading 1a (Points 13 to 16).

In addition, some agricultural expenditure has been ***removed from Heading 2 by the European Council***:

- *Aid for most deprived people* is transferred to Heading 1 (ESF) (Point 58 of Conclusions);
- *Veterinarian and Plant Health funds* are moved to Heading 3 (Point 74 of Conclusions).

Finally, the European Council modifies the Commission proposal concerning the new '***reserve for crises in the agricultural sector***'. In contrast to the way crisis expenditure is internalised inside the MFF in the current period, the Commission's novel approach would have created this reserve inside the CMO, but placed it outside the CAP budget at the same level of the former *Flexibility Instruments* ([23]). The European Council, however, replaces the reserve inside the first Pillar (Points 75 and 102 of Summit Conclusions). These expenditure changes will be considered in the comparative analysis of MFF data developed in Section 5.

- ***Linkages of the CAP Reform process with other negotiations in progress on common policies must be taken into account in the analysis of the MFF 2014/2020.***
- ***In particular, expenditure removed by the European Council from Heading 2 to other headings should be considered in any comparative analysis of MFF data.***
- ***The new 'reserve for crises in the agricultural sector', formerly placed outside the MFF by the Commission, is replaced by the European Council inside Pillar 1 of the CAP.***

[22] http://ec.europa.eu/agriculture/eip/index_en.htm
[23] The *Flexibility Instrument*, the *Solidarity Fund*, the *European Globalisation Adjustment Fund* and the *Emergency Aid Reserve*.

2. CURRENT EUROPEAN PARLIAMENT POSITION ON THE MFF COMPARED TO THE EUROPEAN COUNCIL CONCLUSIONS

2.1. Current position of European Parliament on 'MFF package'

The European Parliament has already expressed its ***political priorities*** on the MFF 2014/2020 as well as some guidelines related to the own resources system to be implemented in the same period. The ***EP approach*** is developed in particular by means of four Resolutions:

- EP Resolution of 8 June 2011 on *investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive* Europe (2010/2211(INI)) (P7_TA(2011)0266) ([24]).
- EP Resolution of 13 June 2012 *on the Multiannual Financial Framework and own resources* (2012/2678(RSP)) (P7_TA-PROV(2012)0245) ([25]).
- EP Resolution of 23 October 2012 *in the interest of achieving a positive outcome of the Multiannual Financial Framework 2014/2020 approval procedure* (COM(2011)0398 - COM(2012)0388 - 2011/0177(APP)) (P7_TA-PROV(2012)0360) ([26]).
- EP legislative Resolution of 23 October 2012 *on the proposal for a Council Regulation on the methods and procedure for making available the own resource based on the value added tax* (COM(2011)0737 - C7-)504/2011 - 2011/0333(CNS)) (P7_TA-PROV(2012)0361) ([27]).

At the current state of financial negotiations, it could be appropriate to analyse the Conclusions of the Summit of 7–8 February in the light of these EP resolutions in order to detect possible divergences and/or to foresee potential conflicts. This (general) comparison is summarised in ***Table 1***.

- ***The political position of the European Parliament on the 'MFF Package' was developed by means of four Resolutions in 2011 and 2012.***

2.2. Two opposite visions on Europe 2020 and the leveraging role of the EU budget: fiscal consolidation vs. strengthening growth and employment

Table 1 shows the main ***political divergences as well as some coincidences*** between the European Parliament and European Council positions relating to MFF issues.

[24] Available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2011-0266+0+DOC+XML+V0//EN&language=EN.
[25] Available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0245+0+DOC+XML+V0//EN&language=EN.
[26] Available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0360+0+DOC+XML+V0//EN&language=EN.
[27] Available at: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0361+0+DOC+XML+V0//EN&language=EN.

It is important to highlight that the ***European Council*** is focused on ***fiscal consolidation at internal and supranational level***. This approach explains the substantive reduction proposed in total expenditure for the EU-28 (See Table 1 - §2). The same logic is applied to the CAP, as the EU's single largest item of expenditure (See Table 1 - §5).

In contrast, the ***European Parliament*** supports increasing resources for the EU budget above the level of the 2013 ceilings (See Table 1 - §2). In this context, the Full House indicated in its previous Resolutions its support for maintaining a new CAP budget at least at the level of the 2007/2013 (See Table 1 - §5).

Both these opposite approaches of the EU budget role are in fact equivalent to different visions on the Europe 2020 Strategy. The Council and European Parliament will have to give proof of flexibility in order to overcome the political *impasse*. Both legislative bodies will have to strengthen their efforts if they want to break the deadlock in financial discussions before summer 2013.

- ***The European Council Conclusions compared to the EP Resolutions show important divergences between Council and the European Parliament on the future MFF.***

- ***To overcome this political impasse, substantive efforts from the negotiators will be needed before summer 2013.***

Table 1
Institutional positions on main financial issues 2014/2020

EUROPEAN COUNCIL CONCLUSIONS	EUROPEAN PARLIAMENT POSITION
§1. EU BUDGET ROLE	
. **MFF must reflect the fiscal consolidation efforts being made by MS** (Point 1 of Conclusions). . **Future financial framework must not only ensure the appropriate level of expenditure, but also its quality, in particular in times of heavy constraint on the national budgets** (Point 2 of Conclusions). . **Better governance of the common policies must include conditionalities, concentration and targeting of funding** (Point 2 of Conclusions).	. **Union cannot be seen as adding an extra fiscal burden on taxpayers** (Point 1 Res. 23.10.2012). . **EU Budget has a leverage effect in terms of strengthening growth and employment** (Point 4 Res. 23.10.2012). . **Decision of the next MFF will either have a significant positive impact on the efforts made by national governments to overcome the crisis or lead to a further recession in the EU** (Point 5 of Res. 23.10.2012).
§2. LEVEL OF EXPENDITURE	
. **Total expenditure for EU-28 will not exceed EUR 959 988 millions and EUR 908 400 millions in appropriations for payments** (Point 6 of Conclusions)**:** <u>Commitment appropriations</u> (2011 prices) 2007/2013: EUR 993 600 millions (1.12% GNI-27) **2014/2020: European Council: EUR 959 988 millions (1.0% GNI-28)** 2014/2020: Commission's amended proposal: EUR 1 033 235 (1.08% GNI-28)	. **Freezing the next MFF at the 2013 level is not a viable option** (Point 18 of Res. 23.10.2012; Point 163 of Res. 8.6.2011). . **Without sufficient additional resources above the level of the 2013 ceilings, several EU priorities will have to be revised or abandoned** (Point 19 of Res. 23.10.2012; Point 164 of Res. 8.6.2011). . **Cuts would imply the identification of which of the political priorities or projects should be dropped altogether** (Point 20 of Res. 23.10.2012).
§3. COMPETITIVENESS AND INFRASTRUCTURES	
. **Total expenditure for Sub-Heading 1a will not exceed EUR 125 614 million** (Point 15 of Conclusions) **Connecting Europe Facility: EUR 29 299 million** (Point 17 of Conclusions)	. **EU needs a significant increase in the funding available in the fields of competitiveness, SMES, entrepreneurship and sustainable infrastructures** (Points 22 & 34 of Res. 23.10.2012; Points 93 to 98 of Res. 8.6.2011).
§4. COHESION POLICY	
. **Total expenditure for Sub-Heading 1b will not exceed** (Point 22 of Conclusions)**:** <u>Commitment appropriations Sub-Heading 1b</u> 2007/2013: EUR 354 800 million (EU 27) **2014/2020: European Council: EUR 325 149 million (EU 28)** 2014/2020: Commission's amended proposal: EUR 379 243 million (EU 28)	. **Cohesion policy funding should be maintained at least at the level of the 2007/2013 period and continue to cover all EU regions** (Point 26 of Res. 23.10.2012; Points 64 to 67 of Res. 8.6.2011).
§5. CAP BUDGET	
. **Commitment appropriations for Heading 2 are reduced for 2014/2020** (Point 63 of Conclusions). <u>Commitment appropriations Heading 2</u> (2011 prices) 2007/2013: EUR 421 100 million (EU 27) **2014/2020: EUR 373 179 million (EU 28)** 2014/2020: Commission's amended proposal: EUR 386 472 million (E 28) <u>Markets and direct payments</u> 2007/2013: EUR 319 100 million (EU 27) **2014/2020 European Council: EUR 277 851 million (EU 28)** 2014 /2020 Commission's amended proposal: EUR 283 051 million (EU 28)	. **CAP in the budget year 2013 should be at least maintained during the next MFF** (Point 27 Res. 23.10.2012; Point 80 Res. 8.6.2011) . **New CAP should aim at a more effective and efficient allocation of its budget** (Point 27 Res. 23.10.2012; Point 80 of Res. 8.6.2011) . **Second pillar makes a significant contribution to rural areas as well as managing environment** (Point 27 Res. 23.10.2012; Point 71 & 79 Res. 8.6.2011)

§6. CLIMATE CHANGE	
. **Climate action objectives will represent at least 20% of EU spending in 2014/2020** (Point 10 of Conclusions)	. **Aim of at least 20% of expenditure being climate-related** (Points 14 & 28 of Res. 23.10.2012; Points 85 to 90 Res. 8.6.2011)
§7. YOUTH	
. **European Council decides to create a Youth Employment Initiative with EUR 6 000 million** (Point 59 of Conclusions)	. **Youth unemployment requires a particular EU effort** (Point 12 & 29 of Res. 23.10.2012; Point 104 of Res. 8.6.2011)
§8. DURATION AND REVISION	
. **New MFF will cover the seven years between 2014 and 2020** (Point 4 of Conclusions)	. **MFF 7-year period should be considered a transitional solution** (Point 51 of Res. 23.10.2012; Point 159 of Res. 8.6.2011) . **Mid-term revision could be enshrined in the MFF regulation** (Point 52 of Res. 23.10.2012; Point 144 of Res. 8.6.2011)
§9. FLEXIBILITY	
. **Provisions are adopted in order to ensure a manageable level and profile of RALs ((outstanding commitments)** (Point 8 of Conclusions)	. **Margins left under the commitment appropriations ceilings in one year's budget should be carried over the next year** (Point 56 of Res. 23.10.2012; Point 149 of Res. 8.6.2011) . **Joint interinstitutional strategy is needed for keeping the level of RALs (outstanding commitments) under control** (Point 58 of Res. 23.10.2012; Point 34 of Res. 8.6.2011)
§10. RESERVE FOR CRISES IN THE AGRICULTURAL SECTOR	
. **New reserve for crises in the agricultural sector (EUR 2 800 million) will be established by applying at the beginning of each year a reduction to direct payments with the financial discipline mechanism** (Points 75 and 102 of Conclusions). . **Sub-ceiling of Heading 2 is maintained without the safety margin of EUR 300 million** (Point 66 of Conclusions)	. **Reserve for agricultural crises, given their non-programmable nature, should be entered in the budget over and above the MFF ceilings** (Point 62 of Res. 23.10.2012; Point 152 of Res. 8.6.2011)
§11. EXCEPTIONS AND NATIONAL COMPENSATIONS INSIDE MFF	
. **Specific compensations for some MS are adopted, in particular in cohesion policy** (Points 50 to 52 of Conclusions) **and CAP** (Point 72 of Conclusions)	. **Purely accounting-based vision of "*fair return*" makes any agreement of the MFF conditional on an agreement on a long list of exceptions and compensations** (Point 70 of Res. 23.10.2012)
§12. OWN RESOURCES	
. **Current own resources system remains unchanged** (Points 111 to 118 of Conclusions)	. **EP points out that is not prepared to give its consent to the next MFF regulation without political agreement on reform of the own resources system** (Point 73 of Res. 23.10.2012; Res. on own resources of 23.10.2012)
§13. NEGOTIATIONS COUNCIL - EP	
. **Maximum possible flexibility will be implemented in order to comply with Article 323 TFEU and take forward discussions with the European Parliament** (Points 11 and 109 of Conclusions).	. **EP expresses its readiness to enter into substantial discussions with the Council on both the MFF regulation and the IIA** (Point 77 of Res. 23.10.2012)

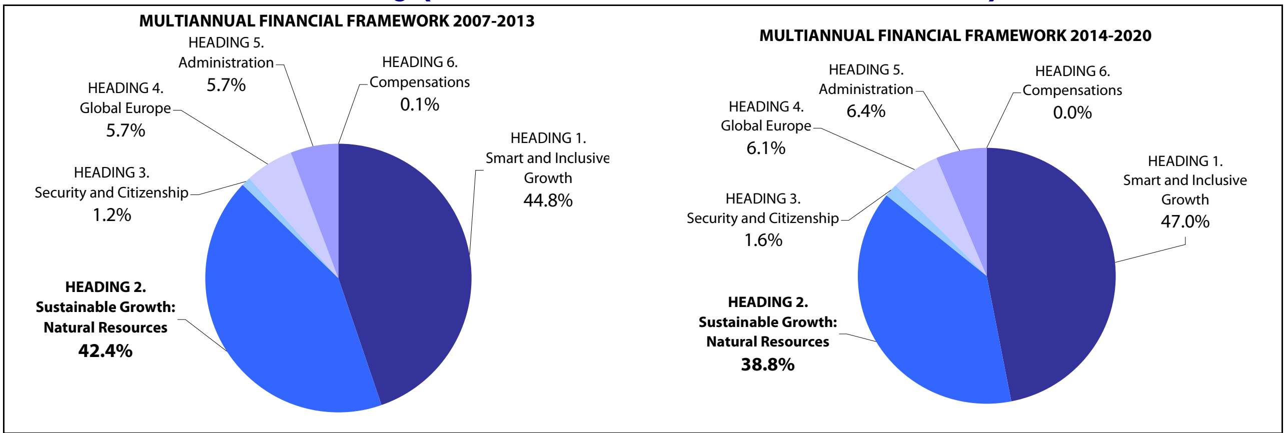
3. THE MFF 2014/2020: AN OVERVIEW OF THE RESULTS OF THE 7–8 FEBRUARY EUROPEAN COUNCIL

3.1. Unprecedented reduction in proposed MFF appropriations for next programming period

The MFF covering the period 2014–2020 will be ***the fifth to be implemented*** since MFFs were first introduced in 1988 as an instrument setting maximum annual amounts (ceilings) for a number of categories of expenditure (Headings)([28]), over several years, for a period of at least five years.

As shown in Figure 1 below, ***Heading 1*** ('Smart and Inclusive Growth') remains the ***main category of expenditure*** in the MFF for 2014–2020 as adopted by the European Council on 8 February 2013, with ***47%*** of commitment appropriations. Agriculture and rural development expenditure is located in ***Heading 2*** ('Sustainable Growth: Natural Resources'), which is again losing weight in the MFF with slightly less than ***39%*** of commitment appropriations.

Figure 1
A comparison of the distributions of total commitment appropriations per MFF Heading (MFF 2007–2013 and MFF 2014–2020)



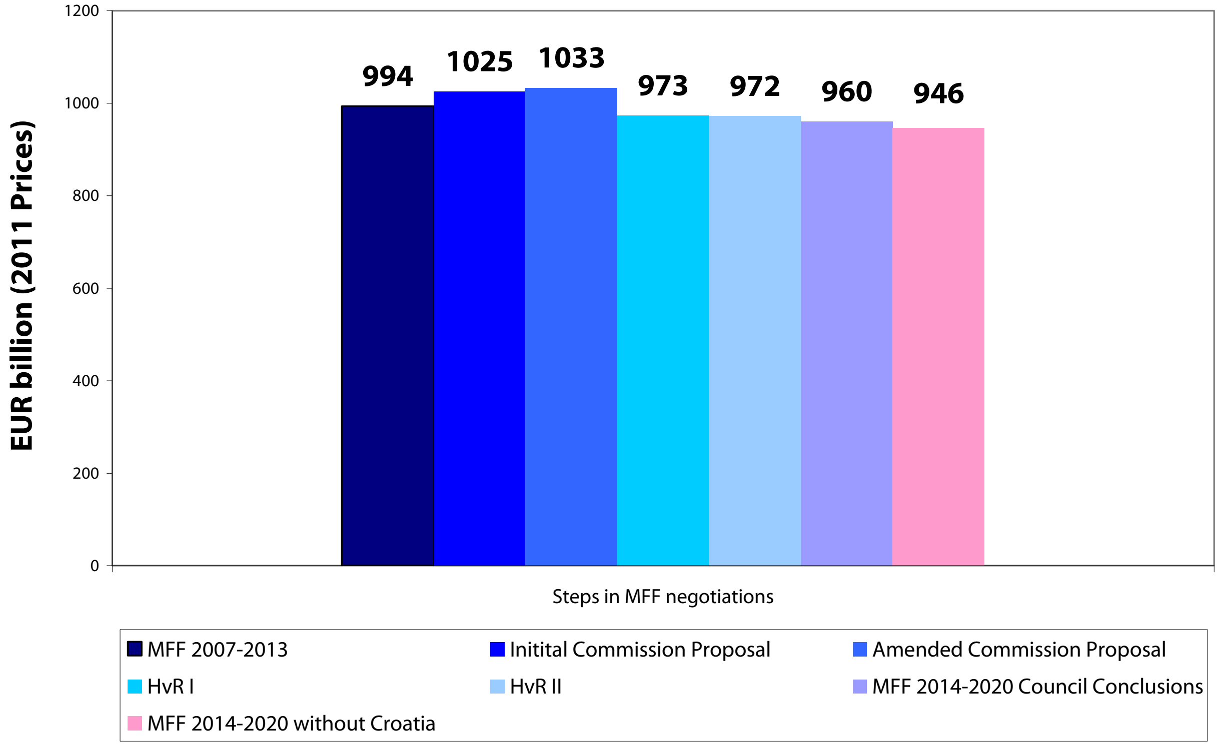
Source: Elaboration by EP Policy Department B based on European Commission and European Council data in current prices.

Since June 2011, when the European Commission launched the negotiations on the MFF for 2014–2020, ***several proposals*** have successively emerged in the public debate. Figure 2 describes the evolution of the total amounts for commitment appropriations in these documents.

In the 2011 initial proposal tabled by the European Commission (for the EU-27), total commitment appropriations for 2014–2020 amounted to ***EUR 1.025 billion for the EU-27***(*[29]*) (in 2011 prices), ***updated in 2012 to EUR 1.033 billion for the EU-28***, including Croatia([30]).

[28] For more historical data, see the note *"The CAP in the MFF 2014–2020"* prepared by Policy Department B in October 2011 (PE 460.067).
[29] COM(2011)500: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52011DC0500:EN:NOT.
[30] COM(2012)388: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012PC0388:EN:NOT.

Figure 2
Evolution of the total amount of commitment appropriations in the MFF 2014–2020 in the negotiation process



Source: Elaboration by EP Policy Department B based on European Commission and European Council data. NB: 'HvR I' stands for the first paper presented by M. Herman Van Rompuy in November 2011 ('HvR II' for his second paper). It is assumed that figures for Croatia are not reduced compared to the amounts foreseen in COM(2012)388.

Agreement in the Council was reached at around ***EUR 960 billion for commitment appropriations*** (i.e. 1.00% of GNI) and around ***EUR 908.4 billion for payment appropriations*** (i.e. 0.95% of GNI) (see Table 2).

This deal implies ***reductions of around EUR 73 billion for commitment appropriations and EUR 79 billion for payment appropriations as compared to the Commission amended proposal*** (see Table 3).

Moreover, total amounts of appropriations are ***lower in the upcoming MFF*** 2014–2020 than in the current MFF 2007–2013: around ***EUR 34 billion less, i.e. -3.5%*** for both commitment and payment appropriations. This is ***the first time in the EU's history that such a decrease has occurred*** (for more details see Table 4).

This decrease is even ***larger when funds for Croatia*** (as foreseen in COM(2012)388) ***are deducted from the MFF agreement for 2014–2020***: in this case the reduction in total appropriations as compared to the MFF 2007–2013 (period when there were 27 EU Member States) reaches around ***EUR 47 billion*** in commitments and ***EUR 44 billion*** in payments. This corresponds to ***around a 5 % reduction*** in total MFF appropriations (see Table 5).

Table 2
MFF 2014–2020 as agreed in the 7–8 February European Council Conclusions, in EUR million - 2011 Prices

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
1. Smart and Inclusive Growth	60 283	61 725	62 771	64 238	65 528	67 214	69 004	450 763
1a: Competitiveness for growth and jobs	15 605	16 321	16 726	17 693	18 490	19 700	21 079	125 614
1b: Economic, social and territorial cohesion	44 678	45 404	46 045	46 545	47 038	47 514	47 925	325 149
2. Sustainable Growth:Natural Resources	55 883	55 060	54 261	53 448	52 466	51 503	50 558	373 179
of which: Market related expenditure and direct payments	41 585	40 989	40 421	39 837	39 079	38 335	37 605	277 851
of which Rural development								84 936
3. Security and citizenship	2 053	2 075	2 154	2 232	2 312	2 391	2 469	15 686
4. Global Europe	7 854	8 083	8 281	8 375	8 553	8 764	8 794	58 704
5. Administration	8 218	8 385	8 589	8 807	9 007	9 206	9 417	61 629
of which : Administrative expenditure of the institutions	6 649	6 791	6 955	7 110	7 278	7 425	7 590	49 798
6. Compensations	27	0	0	0	0	0	0	27
TOTAL COMMITMENT APPROPRIATIONS	134 318	135 328	136 056	137 100	137 866	139 078	140 242	959 988
as a percentage of GNI	1.03%	1.02%	1.00%	1.00%	0.99%	0.98%	0.98%	1.00%
TOTAL PAYMENT APPROPRIATIONS	128 030	131 095	131 046	126 777	129 778	130 893	130 781	908 400
as a percentage of GNI	0.98%	0.98%	0.97%	0.92%	0.93%	0.93%	0.91%	0.95%
OUTSIDE THE MFF	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total 2014-2020**
Emergency Aid Reserve	280	280	280	280	280	280	280	1 960
European Globalisation Fund	150	150	150	150	150	150	150	1 050
Solidarity Fund	500	500	500	500	500	500	500	3 500
Flexibility instrument	471	471	471	471	471	471	471	3 300
European Development Fund	2 952	3 868	3 911	3 963	4 024	4 094	4 174	26 984
TOTAL OUTSIDE THE MFF	4 353	5 269	5 312	5 364	5 425	5 495	5 575	36 794
as a percentage of GNI	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
TOTAL MFF + OUTSIDE MFF	138 671	140 597	141 368	142 464	143 291	144 573	145 817	996 782
as a percentage of GNI	1.06%	1.06%	1.04%	1.04%	1.03%	1.02%	1.02%	1.04%

Source: Elaboration by EP Policy Department B based on European Council data (EUCO 37/13), (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf).

Table 3
Comparison between the MFF 2014–2020 as agreed in the 7–8 February European Council Conclusions and the European Commission Amended Proposal (COM(2012)388), in EUR billion, 2011 Prices

EUR billion - 2011 Prices	Amended Commission Proposal		MFF 2014-2020 Council Conclusions	Difference in billion euros	Difference in %
COMMITMENT APPROPRIATIONS	Total 2014-2020 For EU 28		Total 2014-2020 For EU 28	EUR bn	%
HEADING 1. Smart and Inclusive Growth	494.8		450.8	-44.0	-8.9%
1a: Competitiveness for growth and jobs	115.5		125.6	10.1	8.7%
1b: Economic, social and territorial cohesion	379.2		325.1	-54.1	-14.3%
HEADING 2. Sustainable Growth:Natural Resources	386.5		373.2	-13.3	-3.4%
of which: Market related expenditure and direct payments	283.1	VS	277.9	-5.2	-1.8%
of which: other than Market related expenditure and direct payments	103.4		95.3	-8.1	-7.8%
HEADING 3. Security and citizenship	18.8		15.7	-3.1	-16.6%
HEADING 4. Global Europe	70.0		58.7	-11.3	-16.1%
HEADING 5. Administration	63.2		61.6	-1.5	-2.4%
of which : Administrative expenditure of the institutions	51.0		49.8	-1.2	-2.4%
HEADING 6. Compensations	0.027		0.027	0.0	0.0%
TOTAL COMMITMENT APPROPRIATIONS	1033.2		960.0	-73.2	-7.1%
as a percentage of GNI	1.08%		1.00%		
TOTAL PAYMENT APPROPRIATIONS	987.6		908.4	-79.2	-8.0%
as a percentage of GNI	1.03%		0.95%		

Source: Elaboration by EP Policy Department B based on European Commission (COM(2012)388, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012PC0388:EN:NOT) and European Council data (EUCO 37/13, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf).

Table 4
Comparison between the MFF 2014–2020 as agreed in the 7–8 February European Council Conclusions and the MFF 2007–2013, in EUR billion, 2011 Prices

EUR billion - 2011 Prices	MFF 2007-2013		MFF 2014-2020 Council Conclusions	Difference in EUR billion	Difference in %
COMMITMENT APPROPRIATIONS	Total 2007-2013 For EU 27		Total 2014-2020 For EU 28	EUR bn	%
HEADING 1. Smart and Inclusive Growth	445.5		450.8	5.3	1.2%
1a: Competitiveness for growth and jobs	90.7		125.6	34.9	38.5%
1b: Economic, social and territorial cohesion	354.8		325.1	-29.7	-8.4%
HEADING 2. Sustainable Growth:Natural Resources	421.1		373.2	-47.9	-11.4%
of which: Market related expenditure and direct payments	319.1	VS	277.9	-41.2	-12.9%
of which: other than Market related expenditure and direct payments	102.0		95.3	-6.7	-6.5%
HEADING 3. Security and citizenship	12.4		15.7	3.3	26.5%
HEADING 4. Global Europe	56.8		58.7	1.9	3.4%
HEADING 5. Administration	56.9		61.6	4.7	8.3%
of which : Administrative expenditure of the institutions	48.4		49.8	1.4	2.9%
HEADING 6. Compensations	0.9		0.027	-0.9	-97.0%
TOTAL COMMITMENT APPROPRIATIONS	993.6		960.0	-33.6	-3.4%
as a percentage of GNI	1.12%		1.00%		
TOTAL PAYMENT APPROPRIATIONS	942.8		908.4	-34.4	-3.6%
as a percentage of GNI	1.06%		0.95%		

Source: Elaboration by EP Policy Department B based on European Commission and European Council data (EUCO 37/13).

Table 5
Comparison between the MFF 2014–2020 as agreed in the 7–8 February European Council Conclusions but without the funds allocated to Croatia (COM(2012)388), and the MFF 2007–2013, in EUR billion, 2011 Prices

EUR billion - 2011 Prices	MFF 2007-2013		MFF 2014-2020 Council Conclusions without Croatia	Difference in EUR billion	Difference in %
COMMITMENT APPROPRIATIONS	Total 2007-2013 For EU 27		Total 2014-2020 For EU 27	EUR bn	%
HEADING 1. Smart and Inclusive Growth	445.5		441.4	-4.1	-0.9%
1a: Competitiveness for growth and jobs	90.7		125.0	34.3	37.8%
1b: Economic, social and territorial cohesion	354.8		316.4	-38.4	-10.8%
HEADING 2. Sustainable Growth:Natural Resources	421.1		369.6	-51.5	-12.2%
of which: Market related expenditure and direct payments	319.1	VS	276.6	-42.5	-13.3%
of which: other than Market related expenditure and direct payments	102.0		93.0	-9.0	-8.8%
HEADING 3. Security and citizenship	12.4		15.4	3.0	24.3%
HEADING 4. Global Europe	56.8		58.7	1.9	3.4%
HEADING 5. Administration	56.9		61.1	4.2	7.4%
of which : Administrative expenditure of the institutions	48.4		49.3	0.9	1.8%
HEADING 6. Compensations	0.9		0	-0.9	-100.0%
TOTAL COMMITMENT APPROPRIATIONS	993.6		946.2	-47.4	-4.8%
as a percentage of GNI	1.12%				
TOTAL PAYMENT APPROPRIATIONS	942.8		898.4	-44.4	-4.7%
as a percentage of GNI	1.06%				

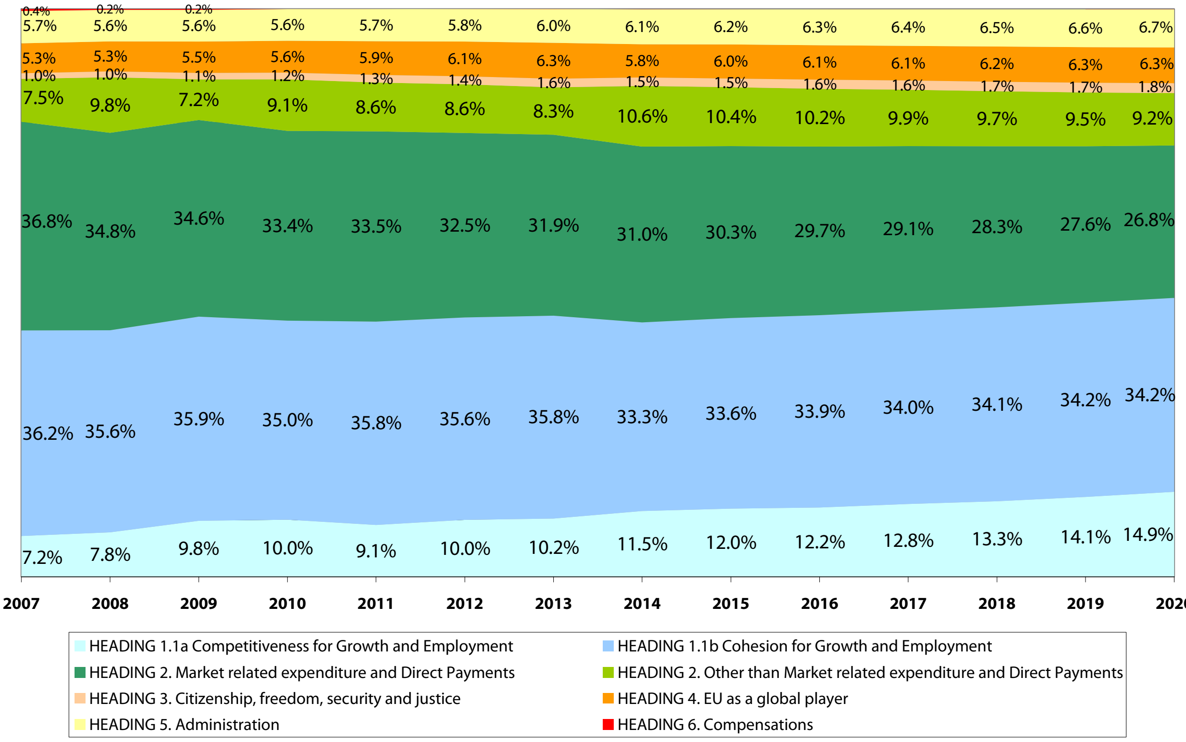
Source: Elaboration by EP Policy Department B based on European Commission (COM(2012)388) and European Council data (EUCO 37/13).

3.2. Reducing share of Heading 2

Figure 3 highlights the evolution of the relative importance of the MFF Headings between 2007 and 2020: ***the share of Heading 2 follows a downward trend, from 44.3% in 2007 to 36% in 2020 (-8.3 percentage points).*** In particular, the share of market related expenditure and direct payments fall from 36.8% to 26.8% (-10 percentage points).

Heading 1 funds, on the contrary, are characterised by a marked increase, while the share of other Headings also increase, but to a lesser extent.

Figure 3
Evolution of the shares of the different MFF Headings from 2007 to 2020 (% of commitment appropriations in current prices)



Source: Elaboration by EP Policy Department B based on European Commission and European Council data (EUCO 37/13).

Table 6
MFF 2014–2020 as agreed in the 7–8 February European Council Conclusions, in %

COMMITMENT APPROPRIATIONS	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
1. Smart and Inclusive Growth	44.9%	45.6%	46.1%	46.9%	47.5%	48.3%	49.2%	47.0%
1a: Competitiveness for growth and jobs	11.6%	12.1%	12.3%	12.9%	13.4%	14.2%	15.0%	13.1%
1b: Economic, social and territorial cohesion	33.3%	33.6%	33.8%	33.9%	34.1%	34.2%	34.2%	33.9%
2. Sustainable Growth:Natural Resources	41.6%	40.7%	39.9%	39.0%	38.1%	37.0%	36.1%	38.9%
of which: Market related expenditure and direct payments	31.0%	30.3%	29.7%	29.1%	28.3%	27.6%	26.8%	28.9%
of which Rural development								8.8%
3. Security and citizenship	1.5%	1.5%	1.6%	1.6%	1.7%	1.7%	1.8%	1.6%
4. Global Europe	5.8%	6.0%	6.1%	6.1%	6.2%	6.3%	6.3%	6.1%
5. Administration	6.1%	6.2%	6.3%	6.4%	6.5%	6.6%	6.7%	6.4%
of which : Administrative expenditure of the institutions	5.0%	5.0%	5.1%	5.2%	5.3%	5.3%	5.4%	5.2%
6. Compensations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL COMMITMENT APPROPRIATIONS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
as a percentage of GNI	1.03%	1.02%	1.00%	1.00%	0.99%	0.98%	0.98%	1.00%
TOTAL PAYMENT APPROPRIATIONS	128 030	131 095	131 046	126 777	129 778	130 893	130 781	908 400
as a percentage of GNI	0.98%	0.98%	0.97%	0.92%	0.93%	0.93%	0.91%	0.95%
OUTSIDE THE MFF	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
Emergency Aid Reserve	6.4%	5.3%	5.3%	5.2%	5.2%	5.1%	5.0%	5.3%
European Globalisation Fund	3.4%	2.8%	2.8%	2.8%	2.8%	2.7%	2.7%	2.9%
Solidarity Fund	11.5%	9.5%	9.4%	9.3%	9.2%	9.1%	9.0%	9.5%
Flexibility instrument	10.8%	8.9%	8.9%	8.8%	8.7%	8.6%	8.4%	9.0%
European Development Fund	67.8%	73.4%	73.6%	73.9%	74.2%	74.5%	74.9%	73.3%
TOTAL OUTSIDE THE MFF	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
as a percentage of GNI	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
TOTAL MFF + OUTSIDE MFF	138 671	140 597	141 368	142 464	143 291	144 573	145 817	996 782
as a percentage of GNI	1.06%	1.06%	1.04%	1.04%	1.03%	1.02%	1.02%	1.04%

Source: Elaboration by EP Policy Department B based on EUCO 37/13.

3.3. A comparison of 2013 and 2020 levels

Comparisons of the levels of commitments in 2013 and in 2020 also provide useful information, as ***2020 will be the reference year for the following MFF***.

Table 7
Comparisons of 2013 and 2020 commitment appropriations (in 2011 prices)

COMMITMENT APPROPRIATIONS	2013	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020	2020 compared to 2013
1. Smart and Inclusive Growth	66 354	60 283	61 725	62 771	64 238	65 528	67 214	69 004	450 763	4.0%
1a: Competitiveness for growth and jobs	13948	15 605	16 321	16 726	17 693	18 490	19 700	21 079	125 614	51.1%
1b: Economic, social and territorial cohesion	52406	44 678	45 404	46 045	46 545	47 038	47 514	47 925	325 149	-8.6%
2. Sustainable Growth:Natural Resources	59 031	55 883	55 060	54 261	53 448	52 466	51 503	50 558	373 179	-14.4%
of which: Market related expenditure and direct payments	43 515	41 585	40 989	40 421	39 837	39 079	38 335	37 605	277 851	-13.6%
3. Security and citizenship	2 209	2 053	2 075	2 154	2 232	2 312	2 391	2 469	15 686	11.8%
4. Global Europe	9 222	7 854	8 083	8 281	8 375	8 553	8 764	8 794	58 704	-4.6%
5. Administration	8 833	8 218	8 385	8 589	8 807	9 007	9 206	9 417	61 629	6.6%
of which : Administrative expenditure of the institutions	6 802	6 649	6 791	6 955	7 110	7 278	7 425	7 590	49 798	11.6%
TOTAL COMMITMENT APPROPRIATIONS	**145 650**	**134 318**	**135 328**	**136 056**	**137 100**	**137 866**	**139 078**	**140 242**	**959 988**	**-3.7%**
as a percentage of GNI		1.03%	1.02%	1.00%	1.00%	0.99%	0.98%	0.98%	1.00%	

Source: Elaboration by EP Policy Department B based on Commission and European Council data.

- ***The 7–8 February 2013 European Council set total allocations for the MFF 2014–2020 for 28 Member States at a lower level than for the previous MFF for 27 Member States (around EUR 34 billion less, i.e. -3.5% for both commitment and payment appropriations).***
- ***This is the first time in the EU's history that an MFF is set at a lower level than its predecessor.***
- ***Moreover, it is worth emphasising that the MFF 2014–2020 is for 28 Member States while the MFF 2013–2020 was for 27.***
- ***In terms of relative shares in the MFF, Headings 1 and 2 have followed diverging trends between 2007 and 2020: while the first has increased by nearly 6 percentage points, the second has seen its share reduced by more than 8 percentage points.***

4. THE CAP IN THE MFF 2014/2020

4.1. The new MFF 2014/2020 allocation for agriculture

On 7/8 February 2013, the Heads of State and Government decided to allocate to ***Heading 2 - sustainable growth: natural resources***, which includes the Common Agricultural Policy, Common Fisheries Policy, rural development and environmental measures, a maximum of ***EUR 373.2 billion*** ([31]) for the period 2014–2020, in commitment terms at 2011 constant prices.

A comparison between the Commission proposal for Heading 2 in the MFF 2014–2020 ([32]) and the European Council's agreement shows a total reduction of ***-3.4 %***, from ***EUR 386.5 billion*** to ***EUR 373.2 billion*** (Table 3).

A comparison between the current Heading 2 in the MFF 2007–2013 and the European Council's agreement shows a total reduction of ***-11.4 %, -EUR 47.9 billion***, from ***EUR 421.1 billion*** to ***EUR 373.2 billion*** (Table 4) ([33]).

Considering only the classic ***CAP spending*** in Heading 2, the maximum commitments for direct payments and market measures has been set at ***EUR 277.8 billion*** (Pillar 1) and ***EUR 84.9 billion*** for rural development (Pillar 2), as shown in Table 8 below.

Considering that the Heading 2 reduction is spread over the 7 years, it is worth comparing the annual level of the commitments in 2020 with the 2013 level, a reduction from an annual commitment of ***EUR 59.0 billion*** in 2013 to ***EUR 50.6 billion*** in 2020, or ***-14.4 %*** expressed as a percentage.

It should be clarified that inside the MFF 2014–2020 is included a budget for the ***Croatian accession*** to the EU, which for the Heading 2 represents ***EUR 3.5 billion*** ([34]).

Finally, the proposed ***crisis reserve*** to respond to exceptional circumstances, previously outside Heading 2, is included in the CAP expenditure under the European Council's agreement. This means that in the case of this 'crisis reserve' being used, direct payments shall be linearly cut through the financial discipline mechanism.

- ***EUR 373.2 billion is allocated to Heading 2, which includes the Common Agricultural Policy, Common Fisheries Policy and LIFE+ for the period 2014–2020, compared to EUR 421.1 billion in the period 2007–2013.***
- ***EUR 277.8 billion is allocated to direct payments and market measures in Pillar 1, while EUR 84.9 billion is assigned to rural development expenditure in Pillar 2.***
- ***EUR 50.5 billion is the level of CAP commitments in 2020, compared to the 2013 level of EUR 59.0 billion, representing a reduction of -14.4 %.***

[31] Source: European Council, 8 February 2013, EUCO 37/13

[32] Source: Amended proposal for a Council Regulation laying down the multiannual financial framework for the years 2014–2020 / COM/2012/0388 final - 2011/0177 (APP). http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0388:FIN:EN:PDF

[33] It is worth noting that, when making comparisons with the 2007–2013 MFF, the actual commitment appropriations in this current programming period have been less than the ceilings contained in the MFF, so the actual cuts in CAP spending are less than the figures cited in this section.

[34] As proposed by the European Commission (COM(2012)388.

Table 8
Heading 2 and CAP in MFF
(MFF 2007–2013 compared to Commission proposal for MFF 2014–2020 and European Council agreement)

Commission MFF proposals and the CAP — million EUR (**current price**)

	2013 level	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
Total Heading 2	60 428	59 953	60 177	60 423	60 642	60 631	60 620	60 608	**423 054**
of which direct aids and market-related expenditure	45 304	44 830	45 054	45 299	45 519	45 508	45 497	45 485	**317 193**
of which Rural development	14 817	14 451	14 451	14 451	14 451	14 451	14 451	14 451	**101 157**

Commission MFF proposal and the CAP — million EUR - 2011 price

	2013 level in 2011 price	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
Total Heading 2	59 031	57 845	57 005	56 190	55 357	54 357	53 371	52 348	**386 472**
of which direct aids and market-related expenditure	43 515	42 363	41 756	41 178	40 582	39 810	39 052	38 309	**283 051**
of which Rural development	14 214	13 618	13 351	13 089	12 832	12 581	12 334	12 092	**89 895**

Heading II MFF 2007-2013 (EU27) — million EUR - 2011 price

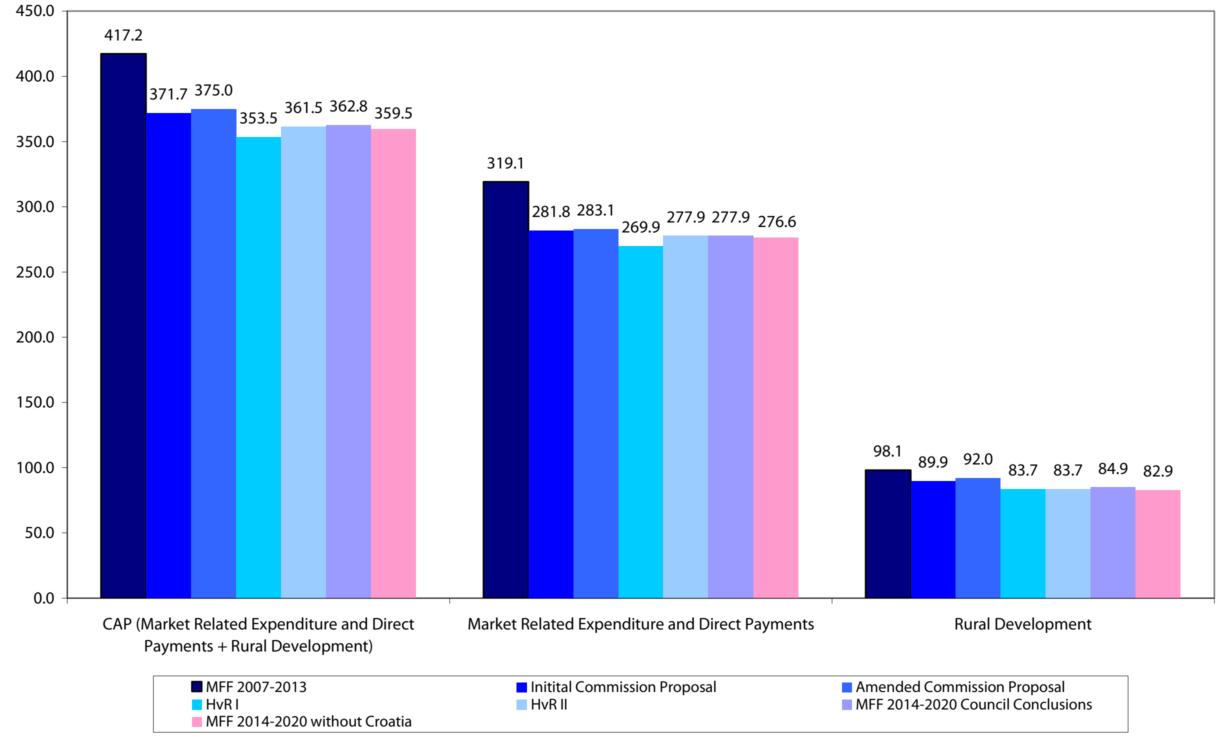
		2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
Total Heading 2		59 689	62 816	58 609	61 154	60 338	59 618	58 909	**421 132**
of which direct aids and market-related expenditure		49 531	49 046	48 565	48 089	47 617	47 150	46 688	**336 685**
of which Rural development									**95 545**

Heading 2 MFF approved 8 February 2013 and the CAP (EU28) — million EUR - 2011 price

	2013 level in 2011 price	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020
Total Heading 2	59 031	55 883	55 060	54 261	53 448	52 466	51 503	50 558	**373 179**
of which direct aids and market-related expenditure	43 515	41 585	40 989	40 421	39 837	39 079	38 335	37 605	**277 851**
of which Rural development	14 214	12 746	12 528	12 314	12 105	11 899	11 697	11 497	**84 936**

Source: Elaboration by EP Policy Department B based on European Commission and European Council data

Figure 4
CAP expenditure, from MFF 2007–2013 to the MFF 2014–2020



Source: Elaboration by EP Policy Department B based on European Commission and European Council data. NB: 'HvR I' stands for the first paper presented by M. Herman Van Rompuy in November 2011 ('HvR II' for his second paper). Market related expenditure and Direct Payments for MFF 2007–2013 are reduced by the amounts transferred to other categories of expenditure, including to rural development.

4.2. Expenditures inside Heading 2

The European Council agreement confirms the retention of the two-pillar structure of the CAP, with ***EUR 277.9 billion*** allocated to pay for ***direct payments and market measures*** in Pillar 1, while ***EUR 84.9 billion*** is assigned to ***rural development*** expenditure within Pillar 2 (Figure 4).

Considering the 2009 Health Check and the increased compulsory modulation up to 2013, it is appropriate to calculate the reduction in ***rural development*** allocation by comparing the 2013 level with the 2020 allocation; this comparison indicates a ***-19.1% reduction***[35] (Figure 5).

In the interests of clarity, it is worth noting that the reduction of the first pillar is affected by *direct payments being phased in* for Bulgaria, Romania and Croatia and the compulsory modulation 2007–2013 to the rural development fund. Taking into account both these effects, a comparison between the level of ***direct payments and market measures*** in 2013 (post modulation) and the level in 2020, shows a ***reduction of -13.6%*** (Table 7 and Figure 5).

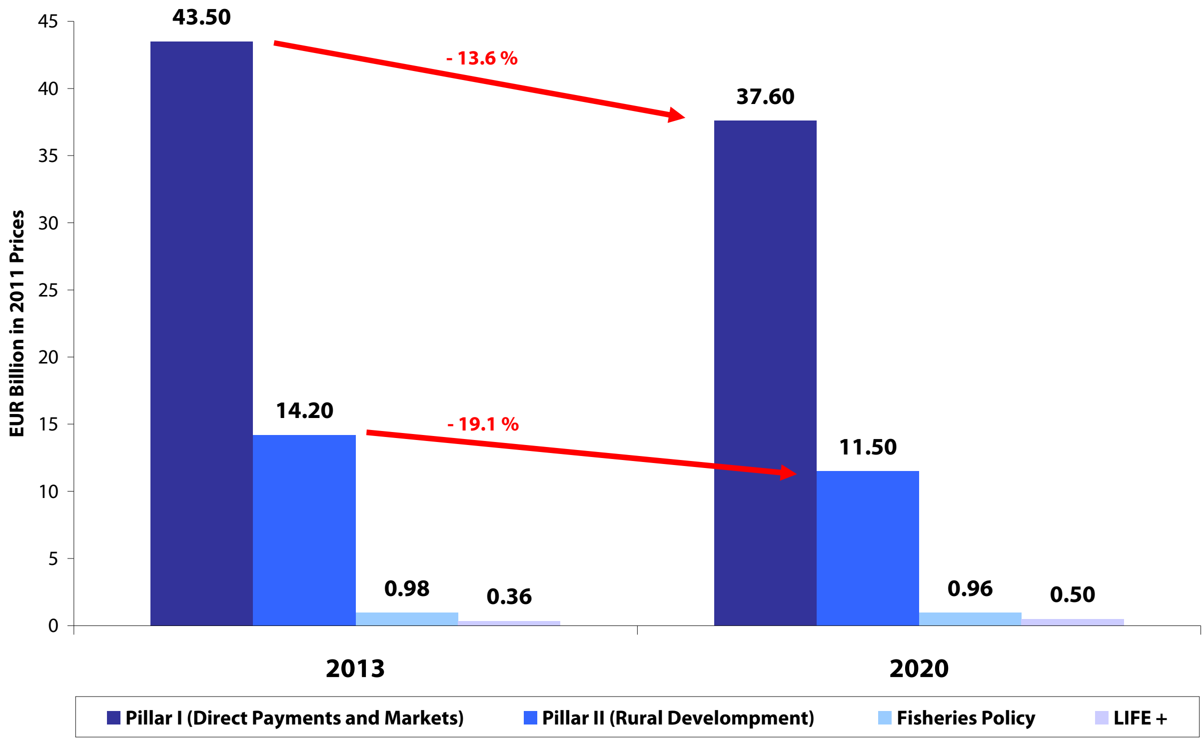
[35] The -19.1% reduction for the rural development allocation includes both compulsory modulation and voluntary modulation applied in the UK. Without voluntary modulation, the reduction would be -17.1%.

The most significant reduction (around -40.7%, including assigned revenues) is in ***market expenditures*** when comparing the MFF 2007–2013 with the Council agreement, as illustrated in Table 9 below. This loss is only offset in a virtual sense by the creation of a 'crisis reserve' inside Heading 2, because in the case of the use of this 'crisis reserve' (EUR 0.4 billion per year), the amount shall be linearly cut from direct payments through the financial discipline mechanism.

Inside Heading 2 has been confirmed the budget for the Common Fisheries and Integrated Maritime Policies at around ***EUR 6.5 billion*** for the period 2014–2020 and the budget for the activities in the fields of climate and environment through the LIFE programme (Programme for the Environment and Climate Action) at ***EUR 3.1 billion*** (Table 9).

The scale of the Pillar 2 reduction was particularly regretted by the Agriculture Commissioner, Dacian Cioloş, in his press statement following the Conclusion of the European Council Summit, with him noting that such cuts in the rural development budget would mean less investment and consequently less growth ([36]).

Figure 5
Heading 2: 2013 level compared to 2020 level (EUR billion in 2011 Prices)



Source: Elaboration by EP Policy Department B based on European Commission and European Council data. The rural development allocation for 2013 includes both compulsory modulation and voluntary modulation applied in the UK. Without voluntary modulation, the reduction would be -17.1%.

[36] Statement of Commissioner Cioloş on the Multiannual Financial Framework 2014–2020 after the European Council, 11 February 2013, http://ec.europa.eu/commission_2010-2014/ciolos/headlines/news/2013/02/20130208_en.htm.

Table 9
Heading 2 in detail

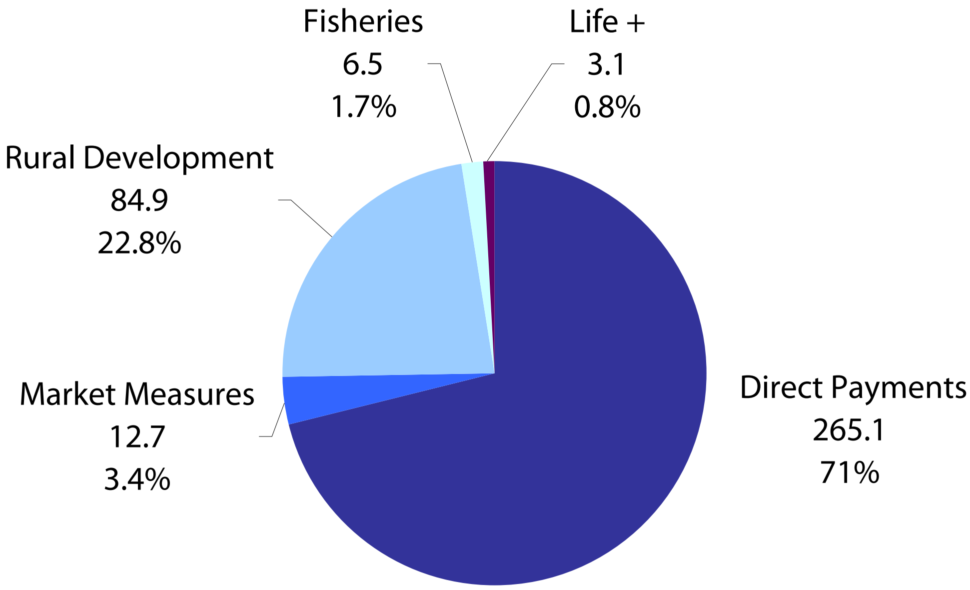
MFF approved 8 February 2013 and the CAP (EU 28) — million EUR - 2011 price

	2013 level (2011 price)	2014	2015	2016	2017	2018	2019	2020*	Total 2014-2020 (without assigned revenues)	2020 compared to 2013
Total Heading 2	**59,031**	**55,883**	**55,060**	**54,261**	**53,448**	**52,466**	**51,503**	**50,558**	**373,179**	**-14.4%**
Direct aids and market-related expenditure	**43,515**	**41,585**	**40,989**	**40,421**	**39,837**	**39,079**	**38,335**	**37,605**	**277,851**	**-13.6%**
of which direct payments	39,687							35,895	**265,127**	
of which 30% for greening								10,769	**79,538**	
Rural development	**13,890**	**12,767**	**12,550**	**12,335**	**12,126**	**11,920**	**11,719**	**11,519**	**84,936**	**-17.1%**
Fishery policy+EMFF + RFMOs	984							960	**6,500**	
Life +	362							485	**3,100**	
Agencies	49							49	**n.a.**	
Margin	230							139	**n.a.**	
PRO MEMORIA FOR MARKET MEASURES:										
Total Heading 2 including assigned revenue									**377,355**	
Market measures	3,182							1,710	**12,724**	
Estimated assigned revenue	646							558	**4,176**	
Final total market measures	3,828							2,268	**16,900**	**-40.7%**

Source: Elaboration by EP Policy Department B based on European Commission and European Council data. Market measures, fishery policy and LIFE+ programme are **estimations**. A 2% deflator was used to calculate 2011 prices. *: For Life, Fishery policy, Agencies and Margin in 2020, data from the European Commission's initial proposal were used. The allocation for 2013 for rural development is EUR 13 890 million including compulsory modulation (In Figure 5, the EUR 14 215 million used for the comparison includes both compulsory and voluntary modulation). For more information on assigned revenues, see COM(2011)625.

- ***The European Council's agreement maintains the 2013 budgetary split between the two CAP Pillars as the basis for the future funding period, cementing compulsory modulation into Pillar 2 (but not voluntary modulation).***
- ***EUR 37.6 billion is allocated to direct payments and market measures in 2020, compared to EUR 43.5 billion in 2013, representing a reduction of -13.6%.***
- ***EUR 11.5 billion is allocated to rural development in 2020, compared to EUR 14.2 billion in 2013, representing a reduction of -19.1%.***

Figure 6
Distributions of total commitment appropriations inside Heading 2 (2014–2020) (EUR billion)



Source: Data from Table 9.

4.3. Redistribution between Member States

One of the most difficult tasks for the European Council was the redistribution of the CAP commitments between Member States, complicated by the difference in terms of net contributions to or net receipts from the EU. In the end, the agreement can be seen as a political compromise which takes into account the overall balance between the first and second pillars and the budgetary concessions in other policies.

The following table (Table 10), shows the estimated increases or reductions in the CAP allocations for each Member State comparing the period 2007–2013 to 2014–2020. In particular Estonia, Latvia and Malta gained something more than what the Commission proposed, while 21 Member States lost in percentage terms, and in absolute terms Germany, Poland and Italy will have to pay most of the bill. However, it is important to stress that the losses for 21 Member States should be read in the context of a general reduction of CAP expenditures as shown in the previous sections. Moreover, in making the comparisons in Table 10, for new Member States their total CAP allocations for 2007–2013 are calculated on the basis of a 100% level of direct payment *phasing in* throughout the period. This hypothetical assumption prevents the like-for-like comparison shown in the table from being distorted by the effect of the phasing in. If, however, the baseline for 2007–2013 had instead used actual EU Pillar 1 payments for the new Member States, for a country like Poland, for example, the percentage change in the right-hand column would be very different.

Table 10
MFF 2014–2020 – Redistribution of the CAP by Member States (2011 constant prices)

Comparison between Member States (billion EUR - price 2011)			
	Total CAP 2007-2013* Direct payments + Rural development	Total CAP 2014-2020 Direct payments + Rural development	%
BE	4.04	3.78	-6.3%
BG	7.33	6.66	-9.1%
CZ	8.53	7.69	-9.8%
DK	6.58	6.21	-5.7%
DE	42.54	39.20	-7.9%
EE	1.37	1.48	8.4%
EL	17.24	17.46	1.3%
ES	38.18	39.09	2.4%
FR	56.56	55.57	-1.7%
IE	10.36	9.53	-8.0%
IT	34.82	33.27	-4.4%
CY	0.50	0.43	-13.4%
LV	1.99	2.25	13.1%
LT	4.17	4.20	0.9%
LU	0.31	0.30	-3.2%
HU	12.15	11.03	-9.3%
MT	0.11	0.12	8.6%
NL	5.77	5.33	-7.6%
AT	8.57	7.86	-8.3%
PL	32.62	28.63	-12.2%
PT	7.66	7.59	-0.9%
RO	18.34	17.64	-3.8%
SI	1.84	1.61	-12.3%
SK	4.44	4.09	-7.8%
FI	5.56	5.40	-2.8%
SE	6.43	5.91	-8.1%
UK	25.13	24.48	-2.6%

Source: These figures remain a tentative elaboration by Policy Department B, as the final distribution key for rural development is not yet definitively known and for some new Member States the reduction is partly absorbed by the phasing in of direct payments between 2007–2013 and modulation to the second pillar. In this table, the EUR 2.8 billion dedicated to the crisis reserve is not deducted, but the discreet Member State allocations in Pillar 2 are included.

4.4. Agricultural resources outside heading 2

While the new '***reserve for crises in the agricultural sector***', previously outside the Heading 2, has been inserted in the ***direct payments and market measures*** sub-heading, other agricultural expenditure has been ***removed from Heading 2 by the European Council***.

Support for the ***most deprived people*** is transferred to Heading 1 (European Social Fund). It consists of ***EUR 2.5 billion*** for seven years. Considering the objectives of the Europe 2020 strategy, the resolutions of the EP and the current allocation of ***EUR 3.5 billion*** for seven years, there is an argument that might suggest that the new allocation may not be appropriate, particularly when compared to the food stamp program in the US.

Considering that the 7/8 February Summit Conclusions do not mention some measures, it can be assumed that the Commission proposal on these issues is confirmed, as far as the European Council is concerned. It is also likely that the ***Veterinarian and Plant Health funds*** are relocated to Heading 3.

5. ELEMENTS OF CAP REFORM INDICATED BY EUROPEAN COUNCIL CONCLUSIONS ON THE MFF

5.1. Institutional differences over handling of CAP reform specificities

In our previous note on the CAP in the 2014/2020 MFF ([37]), we highlighted the way that the Commission's Communication on '*A Budget for Europe 2020*' ([38]) had pre-empted the legislative CAP reform package, by anticipating several of the key future orientations. The Regulation proposed by the Commission, '*laying down the multiannual financial framework for the years 2014–2020*' ([39]), included only a very few references to agriculture, with it instead merely explaining how the new *'crisis reserve'* was expected to operate outside the MFF, before the proposed budgetary headings were laid out in the annex table.

As discussed above in Section 1.2, the European Parliament's previous resolutions on the MFF have indicated discomfort at the way the European Council has incorporated "*policy choices falling within the ordinary legislative procedure*" when formulating its conclusions on the future financial perspective ([40]). The different CAP reform elements that were eventually included in the European Council Conclusions of 7/8 February 2013 are compared below with the respective positions adopted into COMAGRI's proposed mandate for negotiations on the CAP. Such a comparison, in the context of this note, should not, however, be misconstrued as inferring any acceptance of the European Council's handling of these policy choices, which – as far as the European Parliament is concerned – should all be subject to the Ordinary Legislative Procedure.

5.2. Pillar 1

5.2.1. *Level and model for redistribution of direct support - details of convergence across Member States*

The overall methodological approach put forward by the Commission to distribute direct income support payments more equitably between the Member States seems largely to have been accepted by the European Council. As with the Commission's legislative text, "*all Member States with direct payments per hectare below 90% of the EU average will close one third of the gap between their current direct payments level and 90% of the EU average*" ([41]). In contrast, ***the provisional negotiating mandate adopted by COMAGRI envisaged a more nuanced approach***, with ***100%*** (rather than 90%) ***of the EU average being used*** as the reference point, so that:

- in Member States with a current level of direct payments per hectare that is below 70% of the Union average, that shortfall is reduced by 30%;
- in Member States with a level of direct payments between 70% and 80% of the average, the shortfall should be reduced by 25%; and

[37] European Parliament, "*The CAP in the Multiannual Financial Framework 2014/2020*", Policy Department B: Structural and Cohesion Policies, IP/B/AGRI/NT/2011_12, PE460.067, 11 October 2011, p. 41

[38] European Commission, "*A Budget For Europe 2020 – Part I*", COM(2011) 500 final, 29.6.2011, (http://ec.europa.eu/budget/library/biblio/documents/fin_fwk1420/MFF_COM-2011-500_Part_I_en.pdf).

[39] European Commission, "*Proposal for a Council Regulation laying down the multiannual financial framework for the years 2014–2020*, COM(2011) 398 final, 29.6.2011, (http://ec.europa.eu/budget/library/biblio/documents/fin_fwk1420/proposal_council_regulation_COM-398_en.pdf).

[40] EP Resolution of 23 October 2012 on the Multiannual Financial Framework for the years 2014–20202, P7_TA-PROV(2012)0360, point K.

[41] Conclusions of European Council, 7/8 February 2013, point 64.

- in those Member States where the level is more than 80% of the average it should be reduced by 10% ([42]).

The European Council Conclusions included an ***innovative addition*** in the way it guaranteed that "*all Member States should attain at least the level of EUR 196 per hectare in current prices by 2020*" ([43]), with the effects of such a provision ***benefitting the three Baltic States*** of Latvia, Estonia and Lithuania, all of whom would not have reached this level under the Commission's proposals. It is worth noting that by introducing this new floor in the distribution of direct payments, the European Council was ***mirroring an almost identical initiative that originally featured in the European Parliament rapporteur's draft report*** and which successfully made its way into the COMAGRI negotiating mandate. This safeguard was designed to ensure that the level of per hectare payment received in any Member State could ***not be less than 65% of the EU average*** ([44]).

To fund the convergence, the European Council endorsed the Commission's plan for all Member States with direct payments above the EU average to finance the redistribution proportionally to their distance from the EU average payment level. While the negotiating mandate adopted by COMAGRI uses similar language about financing the redistribution "*proportionally by all Member States with direct payments above the Union average*", the crucial difference is that a ***linear reduction*** is envisaged, which would take more money away from Member States with the largest national ceilings (such as Germany and France) than an approach linked to the relative distance from the EU average.

Another difference across the respective institutional positions can be seen with regard to the ***length of time*** over which the external convergence is to be implemented. The COMAGRI position accepts the Commission's proposed start to convergence in financial year 2015 and the four-year implementation period, ending in financial year 2018. The speed of the progression of convergence is, however, reduced in the European Council's position, with the process taking ***six years up until financial year 2020***.

Rather cryptically, the European Council Conclusions also mention the need to take account of "*specific circumstances, such as agricultural areas with high added value and cases where the effects of convergence are disproportionately felt*", when allocating CAP supports between Member States. While no specific details are provided in the published text, the reference to "overall allocation" provides a clue to the way particular Member State grievances over the allocation of direct payments assigned to them by the Commission have been dealt with. The discrete Member State rural development allocations, discussed in §5.4.1 below, appear to be the main method to ease the pain of the redistribution for some countries, while simultaneously offering increased flexibility to shift funds away from Pillar 2 and into direct payment ceilings.

The result of the changes to the redistribution of direct payments between Member States can be seen in Table 11 below, which uses provisional data to focus on the comparison

[42] European Parliament Committee on Agriculture and Rural Development, *Proposal for a European Parliament decision on the opening of, and mandate for, interinstitutional negotiations on the proposal for a regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy*, (COM(2011)0625 – C7 0336/2011 – 2011/0280(COD) – 2013/2528(RSP)), 4 February 2013, Amendment 11 ((http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fTEXT%2bMOTION%2bB7-2013-0079%2b0%2bDOC%2bXML%2bV0%2f%2fEN&language=EN).

[43] Conclusions of European Council, 7/8 February 2013, point 64.

[44] COMAGRI negotiating mandate on direct payments, Amendment 11.

between the allocations adopted in the COMAGRI negotiating mandate and those in the European Council position agreed on 8 February 2013.

Table 11([45])

COMPARISON OF THE MEMBER STATE DIRECT PAYMENT ALLOCATIONS

	EUR million – 2011 constant prices			European Council / COMAGRI	
	Commission proposal	COMAGRI	European Council 8 Feb	Absolute (EUR million)	%
Belgium	3320	2948	3287	339	11.5
Bulgaria	4834	4839	4547	-292	-6.0
Czech Republic	5542	5557	5427	-130	-2.3
Denmark	5719	5708	5642	-66	-1.2
Germany	32301	31799	31782	-17	-0.1
Estonia	790	861	826	-35	-4.1
Ireland	7696	7668	7552	-116	-1.5
Greece	12691	12744	13866	1122	8.8
Spain	30926	30937	31725	788	2.5
France	47609	46484	47736	1252	2.7
Italy	24236	24436	24003	-433	-1.8
Cyprus	317	317	314	-3	-0.8
Latvia	1255	1491	1372	-119	-8.0
Lithuania	2736	2809	2744	-65	-2.3
Luxemburg	213	207	209	2	0.9
Hungary	8059	8075	7901	-174	-2.2
Malta	31	33	31	-1	-3.9
Netherlands	4826	4916	4783	-133	-2.7
Austria	4393	4398	4313	-85	-1.9
Poland	19264	19632	18739	-893	-4.5
Portugal	3729	3834	3940	106	2.8
Romania	11356	11629	10393	-1236	-10.6
Slovenia	866	854	856	2	0.2
Slovakia	2473	2514	2382	-132	-5.3
Finland	3326	3342	3258	-84	-2.5
Sweden	4434	4449	4337	-112	-2.5
United Kingdom	22714	22755	22148	-607	-2.7

Source: Elaboration by EP Policy Department B based on European Commission and European Council data in 2011 prices for the EU-27.

Section 4.2 explains above how the annual budget for direct payments reduces in real terms across the seven year funding period of the next MFF. However, it is worth noting that an earlier version of the 'Negotiating box', tabled by the Cypriot Presidency of the EU at the COREPER meeting of 31 October 2012, actually was explicit in detailing this intention, noting that "*the EU average level of direct payments per hectare will be reduced by [0.27 to X]% per year for the financial years 2015–2020*" ([46]).

[45] These figures remain a tentative elaboration by Policy Department B, as the final distribution of payments is not yet known.

[46] Council of the European Union, *Note from the Presidency on the Multiannual Financial Framework (2014–2020) – Negotiating box*, 29 October 2012, 15599/12, point 53.

5.2.2. *Capping of support to large farms*

One of the more ***significant divergences*** of opinion on the main elements on CAP reform comes in relation to the proposed capping of direct payments for large beneficiaries. Here, the majority position in ***COMAGRI largely endorsed the proposal of the Commission*** on the 'progressive reduction and capping' of payments, with a few relatively minor amendments ([47]). The European Council, however, opted to make this provision ***wholly voluntary*** for Member States ([48]).

5.2.3. *Method for financial discipline*

The European Council also chose to stipulate its preferred financial discipline methodology in its 7/8 February Conclusions ([49]). However, in this instance the adopted position leaves the Commission's proposal intact, with no deviation either from the COMAGRI negotiating mandate.

5.2.4. *Greening of direct payments*

The next section of the European Council Conclusions starts by making reference to the "*Regulation of the European Parliament and of the Council*", apparently acknowledging that the details surrounding the so-called 'greening' provisions should be agreed under the Ordinary Legislative Procedure. One arguably legitimate budgetary issue – the stipulation that 30% of a Member States' national ceiling has to be devoted to 'greening' – is included in the European Council text. However, also incorporated are a number of other aspects that are clearly policy choices falling under codecision. Among these is an indication that "*all farmers will have to follow*" the 'greening' practices and a rather subjective reference to "*avoiding unnecessary administrative burden*". The ***precise meaning*** of these aspects of the European Council Conclusions is ***open to interpretation*** and may only become clear as part of the trialogue negotiations. However, it is at least conceivable that the requirement that "*all farmers will have to follow*" the 'greening' practices could be read in such a way to suggest it might conflict with COMAGRI's intention to limit any withdrawals and reductions associated with non-compliance of the 'greening' rules to no more than the extent of the 'greening' payment ([50]), which could indirectly make it voluntary at the farm level.

Another ambiguous phrase in the European Council Conclusions refers to "*a clearly defined flexibility for the Member States relating to the choice of equivalent greening measures*". The Commission first formally advanced the idea of an ***equivalence approach to 'greening'*** in its May 2012 Concept Paper ([51]), but has since chosen not to flesh it out in any more practical detail. Consequently, the "*clearly defined flexibility*" may well be interpreted differently among the various Member State positions occupied in Agriculture Council. Some of these may accord with the sort of flexibilities adopted into the COMAGRI

---

[47] COMAGRI negotiating mandate on direct payments, Amendments 41–45.

[48] Conclusions of European Council, 7/8 February 2013, point 65.

[49] *Ibid.*, point 66.

[50] European Parliament Committee on Agriculture and Rural Development, *Proposal for a European Parliament decision on the opening of, and mandate for, interinstitutional negotiations on the proposal for a regulation of the European Parliament and of the Council on the financing, management and monitoring of the CAP (COM(2011)0628 final/2 – C7-0341/2011 – COM(2012)0551 final – C7-0312/2012 – 2011/0288(COD) – 2013/2531(RSP))*, 4 February 2013, Amendments 16, 111

[51] European Commission, *Concept paper – May 2012, Agricultural Council – Greening*, http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/concept-paper-on-greening_en.pdf.

negotiating mandate ([52]), while others may be seeking distinct differences in the scope of equivalence and the way it is applied ([53]).

The section on 'greening' in the European Council Conclusions was supplemented by a ***late addition***, which had not featured in the previous iterations, ***on the requirement to have an Ecological Focus Area*** (EFA) on each agricultural holding. The newly inserted text, widely reported as being inspired by a German intervention ([54]), now states that the EFA measure "*will be implemented in ways that do not require the land in question to be taken out of production and that avoids unjustified losses in the income of farmers*" ([55]). While the second half of this stipulation could be interpreted as already being compatible with COMAGRI's move to detach the 'greening' payment as a separate and additional payment to the Basic Payment Scheme income support payment, the first part has proved more controversial. The *CAP2020 website* noted how "*extremely valuable management practices for protecting water quality, soils and biodiversity, such as buffer strips along water courses or leaving areas fallow, may be excluded*" under this provision ([56]), with the European Environmental Bureau going even further in describing this stipulation as rendering the most important 'greening' measure as "*completely meaningless*" ([57]). A more dispassionate analysis might, however, point to the fact that the COMAGRI negotiating mandate included as being eligible for inclusion in the EFA requirement, areas under "*production without utilisation of pesticide and fertiliser application*", as well as "*land planted with nitrogen-fixing crops*" ([58]). Given that the productive EFA options also feature in the latest published text emanating from the Agriculture Council discussions, at the end of the Cypriot Presidency ([59]), ***the stipulation in the European Council Conclusions may not actually constrain too much*** what might otherwise have been ***the likely inter-institutional compromise on this point***. However, the European Parliament might still take issue with the European Council's MFF Conclusions pronouncing on something that seems so far removed from budgetary matters and so clearly a policy detail falling under the Ordinary Legislative Procedure.

Notwithstanding some of the ambiguities in the European Council text and its encroachment into matters pertaining to codecision, it can generally be observed that in several key aspects the European Council position on 'greening' seems largely consistent with that of COMAGRI (including the 30% allocation, equivalence, etc.).

[52] COMAGRI negotiating mandate on direct payments, Amendment 62.

[53] For example, some in Agriculture Council may wish to interpret the references to 'greening' flexibility and "*avoiding unnecessary administrative burden*" as an opportunity to introduce an equivalent certification scheme as the sole route to allow farmers to access the 'greening' payment, as this would have clear benefits in eliminating the administrative burden of running two parallel approaches.

[54] See, for example, quotes attributed to German Farm Minister, Ilse Aigner, noting that the move to limit the impact of EFAs on production was "*a great success*", in *Agra Facts*, No.12-13, 13 February 2013, p. 3.

[55] Conclusions of European Council, 7/8 February 2013, point 67.

[56] CAP2020, "*Mixed news for the EU's environment from today's MFF deal*", 11 February 2013, http://cap2020.ieep.eu/2013/2/11/mixed-news-for-the-eu-s-environment-from-today-s-mff-deal?s=1&selected=latest.

[57] European Environmental Bureau, "*The unkindest cut of all: green heart to be taken out of farm subsidies*", news release, 8 February 2013, http://www.eeb.org/EEB/index.cfm/news-events/news/the-unkindest-cut-of-all-green-heart-to-be-taken-out-of-farm-subsidies/.

[58] COMAGRI negotiating mandate on direct payments, Amendment 65.

[59] Council of the European Union, *Presidency revised consolidated draft Regulation – Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy (CAP Reform)*, 17383/1/12 REV 1, 14 December 2012, pp. 76–77, http://register.consilium.europa.eu/pdf/en/12/st17/st17383-re01.en12.pdf.

- ***The European Council's position on the external convergence of Pillar 1 direct payments across Member States includes a very similar safeguard provision to that included in the COMAGRI negotiating mandate, which ensures the three Baltic States attain a slightly boosted minimum level of per hectare payment.***

- ***The speed of implementing the external convergence is slower under the European Council's plans, following a six-year transition rather than the four years advocated by both the Commission and COMAGRI.***

- ***The European Council's decision to make the capping of support to large farms wholly voluntary for Member States represents one of the more significant divergences of opinion with COMAGRI.***

- ***While the European Council's position on 'greening' is ambiguous and encroaches on matters pertaining to codecision, it can generally be observed that in several key aspects it seems largely consistent with that of COMAGRI.***

5.3. Flexibility between pillars

Member States' ability to rebalance their overall CAP budget allocation between the two Pillars would be expanded under the European Council Conclusions ([60]). The maximum percentage flexibility attached to the mechanism allowing ***adjustments in favour of rural development*** programming financed under EAFRD is ***increased*** from the 10% envisaged in the Commission's CAP proposals ([61]) ***to 15%***, which is consistent with the COMAGRI negotiating mandate ([62]), but still lower than the 20% provided for in the Voluntary Modulation Regulation ([63]), which it effectively replaces ([64]).

The Commission's plan to make the mechanism providing flexibility to shift resources between the two CAP Pillars bidirectional in nature was trailed in our previous note on the MFF. Significantly, it is the so-called '***reverse modulation***' flexibility (i.e. transfers from Pillar 2 to Pillar 1) which ***is expanded the most*** under the European Council Conclusions. Not only are the 12 Member States with direct payments below 90% of the EU average ([65]) now afforded the possibility to reverse modulate 10% of their rural development allocations – up from the 5% in the Commission's proposals to match the position adopted into the COMAGRI negotiating mandate – but a ***new provision allowing all Member States the possibility to transfer another 15% from Pillar 2 to Pillar 1*** is also included. This additional scope to reverse modulate offers the real possibility that in some Member States

[60] Conclusions of European Council, 7/8 February 2013, points 68–69.
[61] European Commission, *Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy*, COM(2011) 625 final/2, 19 October 2011, Article 14(1).
[62] COMAGRI negotiating mandate on direct payments, Amendment 46.
[63] Council Regulation (EC) No 378/2007 of 27 March 2007 laying down rules for voluntary modulation of direct payments provided for in Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, and amending Regulation (EC) No 1290/2005.
[64] While this section refers to 'transfers' and 'modulation', strictly speaking the Article 14 flexibility is distinct from the instrument of 'modulation' in the sense that its effects are not so evident at the farm level, with it instead involving a one-off adjustment of the amounts available to Member States both for granting direct payments and for measures under rural development programming.
[65] The 12 Member States are: Bulgaria, Estonia, Finland, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United Kingdom.

up to a quarter of their rural development resources will be redeployed to supplement farmers' income support payments in Pillar 1, a position that clearly ***deviates considerably from COMAGRI's negotiating mandate***.

This change adopted into the European Council Conclusions means that, in theory, if the flexibility to reverse modulate was utilised by all Member States to its maximum extent, then the overall rural development budget financed by EAFRD would be reduced by around 20%, compared to the counterfactual position where no such transfers were made. This potential risk to rural development funding can be seen to further exacerbate the European Council's decision, outlined above in Section 4.2, to target Pillar 2 for disproportionately severe cuts as part of attempts to constrain overall CAP spending.

The polar opposite extreme scenario would envisage every Member State instead taking up the opportunity to shift 15% of their annual direct payments national ceilings into Pillar 2. This could theoretically expand the overall rural development by almost 47%, although the limited application of Voluntary Modulation to date suggests transfers in favour of Pillar 2 are unlikely to prove universally popular.

- ***The European Council introduces the possibility to increase adjustments in favour of Rural Development up to 15%, which is compatible with the COMAGRI position.***
- ***The significant opening up of the possibility to 'reverse modulate' monies from Pillar 2 to Pillar 1 does, however, deviate considerably from COMAGRI's negotiating mandate.***

5.4. Pillar 2

5.4.1. Principles for distribution of rural development support

The European Council's main departure from the Commission's proposals on the distribution of rural development support comes in the form of a series of ***discreet allocations*** made to 16 different Member States, justified on the basis of them "*facing particular structural challenges in their agricultural sector*" or from them having "*invested heavily in an effective delivery framework for Pillar 2 expenditure*" ([66]). In all, these discreet allocations sum to over EUR 5.5 billion, or around 6.5% of the overall rural development budget.

It is only after these discreet allocations have been subtracted from the overall EAFRD budget that the rest of the money will be allocated using a ***distribution key*** which the European Council Conclusions confirm as being based on "***objective criteria and past performance***" (although the methodology for applying these criteria is not specified). Therefore, the ***discreet allocations effectively eat into the overall budget***, diminishing the amount that is then available to those Member States who did not secure the special funding as part of what evidently is a pragmatic, political compromise, involving wider

[66] Point 72 of the European Council Conclusions lists the discreet allocations as follows: Austria (EUR 700 million), France (EUR 1000 million), Ireland (EUR 100 million), Italy (EUR 1 500 million), Luxembourg (EUR 20 million), Malta (EUR 32 million), Lithuania (EUR100 million), Latvia (EUR 67 million), Estonia (EUR 50 million), Sweden (EUR 150 million), Portugal (EUR 500 million), Cyprus (EUR 7 million), Spain (EUR 500 million), Belgium (EUR 80 million), Slovenia (EUR 150 million) and Finland (EUR 600 million).

budgetary tradeoffs. By looking at the identities of some of the biggest beneficiaries of the discreet allocations, it is clear that they include those Member States who either stood to lose most from the Pillar 1 external convergence or the move away from a wholly historic basis of allocating rural development funding. Indeed, it is worth recalling that a ***similar set of discreet rural development allocations were agreed in December 2005***, as part of the European Council adopted position on the current Financial Perspective (2007–2013), albeit on a slightly smaller scale ([67]).

COMAGRI's provisional negotiating mandate carries forward the insistence of the EP rapporteur that the Member State breakdowns for rural development funding were of too great a strategic importance to be decided by an implementing act, suggesting instead that they form an annex table in the Basic Act. In the absence of a compelling argument for a definitive alternative distribution key, the rapporteur's suggestion for including as a placeholder the existing historic allocations was left untouched by the COMAGRI vote and therefore adopted into the provisional negotiating mandate. Given the expressed intention of the European Parliament to uphold what it perceives as its responsibility as co-legislator in this respect, it will be interesting to see if what has hitherto been a bipartisan Commission-Council role in determining the breakdowns of rural development funding can continue now that the Lisbon Treaty has entered into force.

Table 12 below uses **provisional data** to compare how the ***Member State percentage shares*** of the rural development budget differ between the COMAGRI negotiating mandate and the deal agreed in European Council on 8 February 2013. The right-hand column, showing the differences between Member States shares, offers some initial evidence of how the discreet allocations will affect the overall balance of funding allocations.

[67] An aggregate total of EUR 4.07 billion (some 5.8% of the overall rural development budget) was included as discrete Member State allocations in Point 63 of the European Council's note of 19 December 2005 on the Financial Perspective 2007–2013.

Table 12[68]

COMPARISON OF THE PILLAR 2 MEMBER STATE ALLOCATIONS

	Percentage shares		European Council / COMAGRI
	COMAGRI	European Council 8 Feb	%
Belgium	0.5	0.6	17.2
Bulgaria	2.8	2.6	-7.7
Czech Republic	3.0	2.7	-8.6
Denmark	0.6	0.7	13.8
Germany	9.4	9.0	-4.5
Estonia	0.8	0.8	4.1
Ireland	2.6	2.4	-8.7
Greece	4.1	4.3	5.2
Spain	8.5	8.9	5.4
France	8.0	9.5	19.1
Italy	9.4	11.1	18.1
Cyprus	0.2	0.1	-18.8
Latvia	1.1	1.1	-5.1
Lithuania	1.9	1.8	-5.0
Luxemburg	0.1	0.1	10.4
Hungary	4.1	3.8	-6.7
Malta	0.1	0.1	23.1
Netherlands	0.6	0.7	6.0
Austria	4.2	4.3	1.8
Poland	14.1	12.0	-14.9
Portugal	4.3	4.4	3.8
Romania	10.0	8.8	-11.8
Slovenia	1.0	0.9	-5.3
Slovakia	2.1	2.1	-1.2
Finland	2.3	2.6	14.5
Sweden	2.0	1.9	-5.5
United Kingdom	2.5	2.8	11.9
EU-27	100.0	100.0	-

Source: Elaboration by EP Policy Department B based on European Commission and European Council data for the EU-27.

5.4.2. Co-financing rates for rural development support

The agreement reached by the European Council is also noteworthy for the ***increased flexibility*** afforded to Member Stares in ***lowering the minimum requirements to match fund the core EAFRD allocations with national co-financing***. While the provisional negotiating mandate adopted by COMAGRI made some small revisions to lower the national co-financing obligations in a couple of selected cases, this contrasts sharply with the significant strides taken in this regard by the European Council. Table 13 below sets out the respective institutional positions for rural development co-financing. It should be noted that when references to EAFRD contribution rates are describing maximums, there is nothing preventing a Member State or region incorporating a higher level of national co-

[68] These figures remain a tentative elaboration by Policy Department B, as the final distribution key for rural development payments is not yet known.

financing into its rural development programme. However, it is probably not unreasonable to assume that a lower overall level of rural development spending is likely to result from moves to reduce the extent of obligations to provide national co-financing, although in some instances such flexibility will no doubt be important in allowing the EAFRD monies to be drawn down at all.

Table 13

COMPARISON OF RURAL DEVELOPMENT CO-FINANCING RATES

Commission proposal ([69])	COMAGRI ([70])	European Council 8 Feb ([71])
Minimum EAFRD contribution rate of 20%	Minimum EAFRD contribution rate of 20%	Minimum EAFRD contribution rate of 20%
	Maximum EAFRD contribution rates	
Default of 50% of the eligible public expenditure in other regions	Default of 50% of the eligible public expenditure in other regions	Default of 53% of the eligible public expenditure in other regions
85% in the less developed regions, outermost regions and smaller Aegean islands	85% in the less developed regions, outermost regions and smaller Aegean islands	75% in the less developed regions, outermost regions and smaller Aegean islands; 75% for all regions whose GDP per capita for the 2007–2013 period was less than 75% of the average of the EU-25 for the reference period, but whose GDP per capita is above 75% of the GDP average of the EU-27; 63% of the eligible public expenditure for the transition regions other than those referred to above
80% preferential measure rate for knowledge transfer, setting up of producer groups, cooperation and business start up for young farmers *	80% preferential measure rate for knowledge transfer, setting up of producer groups, cooperation and business start up for young farmers *	Other preferential measure rates to be determined
	55 % for the agri-environment-climate measures *	75% for operations contributing to the objectives of environment and climate change mitigation and adaptation
100% for amounts transferred from the application of capping contributing to innovation	95% for amounts transferred from Pillar 1 to Pillar 2 under flexibility between Pillars provision for those Member States currently in receipt of financial assistance	100% for amounts transferred from Pillar 1 to Pillar 2 under flexibility between Pillars provision
		Higher co-financing rate (by 10 percentage points) can be applied when a Member State is in receipt of financial assistance, subject to reassessment in 2016

* which can be increased to 90% for the programmes of less developed, outermost regions and smaller Aegean islands

Included in the European Council Conclusions on rural development co-financing is a reference that, depending on how it is read, could serve as something of a provocation to

[69] European Commission, *Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)*, COM(2011) 627 final/2, 19 October 2011, Article 65.

[70] European Parliament Committee on Agriculture and Rural Development, *Proposal for a European Parliament decision on the opening of, and mandate for, interinstitutional negotiations on the proposal for a regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (COM(2011)0627 final/3 – C7-0340/2011, COM(2012)0553 – C7-0313/2012 – 2011/0282(COD) – 2013/2530(RSP))*, 4 February 2013, Amendment 119.

the European Parliament. As discussed above, all of the reform elements analysed in this section of the note are explicitly contained in the package of CAP reform texts subject to the Ordinary Legislative Procedure. Therefore, when the Summit Conclusions follows up a long, detailed list of specifications by rather dismissively noting that "*other maximum EAFRD contribution rates to specific measures will be set in the Regulation on support for rural development*" ([72]), it does tends to fuel concerns within the European Parliament that an attempt is being made to erode its codecision powers.

- ***The Member State breakdown of rural development funding has been skewed in favour of a number of Member States who have been afforded varying sizes of discreet allocations, the affects of which can be seen in a comparison of Pillar 2 funding shares.***

- ***The European Council Conclusions have also lowered the minimum requirements to match fund the core EAFRD allocations with national co-financing.***

5.5. A new reserve for crises in the agricultural sector

The original Commission proposal for the next seven-year funding period had envisaged an additional EUR 3.5 billion for crisis management measures in agriculture to be funded outside the MFF. The Conclusions adopted by the European Council of 7/8 February 2013, however, made clear its intention that this reserve be included within the MFF, under Heading 2, with a reduced allocation of ***EUR 2 800 million over the seven years***. The European Council Conclusions go on to specify that "*the reserve will be established by applying at the beginning of each year a reduction to direct payments with the financial discipline mechanism*". It continues by noting that "*the amount of the reserve will be entered directly in the annual budget and if not made available for crisis measures will be reimbursed as direct payments*" ([73]).

The practicalities of this change implies that the market measure operations will automatically lead to reductions in Pillar 1 direct payments, through the application of 'financial discipline' and the linear top-slicing of national ceilings this involves. As commentators have already suggested, this could throw up some interesting political conundrums. For example, would EU farm ministers collectively sanction the use of butter intervention in the event of a market slump, if this could only be paid for in the future by reductions in direct payments, which by their very nature would impact all farmers, both within and outside the dairy sector? ([74]) Furthermore, the indirect consequences of compulsory cuts on direct payments every year could potentially be to incentivise Member States to transfer more resources from Pillar 2 to make up the difference.

---

[71] Conclusions of European Council, 7/8 February 2013, point 73.
[72] Conclusions of European Council, 7/8 February 2013, point 73.
[73] *Ibid.*, point 75.
[74] This question was posed in Agra Europe, *Analysis: 2014–2020 budget deal ushers in new age of CAP austerity*, No. 2552, 12 February 2013, pp. 5–6, although conceptually the issue emerges as a result of the existing sub-heading covering expenditure on both direct payments and market measures.

The combined effect of the European Council's changes to market measures as part of the MFF will, therefore, see the significant reduction in market-related expenditure (highlighted in Section 4.2) compounded by the internalisation of the crisis reserve (in the absence of the annual EUR 300 million margin in the existing budget for market interventions), meaning that financial discipline is likely to become a very familiar part of the post-2013 EU agricultural landscape.

In contrast, the position adopted into the COMAGRI provisional negotiating mandate largely accepted the original Commission proposal on the 'crisis reserve', with the amendment on Article 159 of the Single CMO Regulation merely introducing some additional flexibility in its application.

- ***The European Council's decision to internalise the crisis reserve back into the MFF Heading 2 ceiling means that financial discipline is likely to become a very familiar part of the post-2013 EU agricultural landscape.***

6. SUMMARY OF CONCLUSIONS

- ***The Treaty of Lisbon consolidated the 'Multiannual Financial Framework' as well as developing its legislative rules inside the TFEU.***

- ***The 'MFF package 2014/2020' to be negotiated by the EU legislative bodies (European Parliament and Council) includes three texts on the: 1) MFF Regulation; 2) Decision on the system of EU own resources; and 3) Interinstitutional Agreement (IIA) on cooperation in budgetary matters and on sound financial management.***

- ***The European Council Agreement of 7–8 February 2013 could be considered merely a political compromise among the EU Heads of State and governments. It constitutes a negotiating mandate for the Council in order to take forward discussions with the European Parliament on the 'MFF package'.***

- ***The timings of the MFF negotiation and the CAP reform process will overlap and become mutually interdependent.***

- ***In contrast with the European Parliament's approach, the Council does not clearly differentiate between financial negotiations and the CAP reform process. The 'Financial Negotiating Box' created by the Council is taken up again by the European Council. If Council finally includes agricultural provisions inside the 'MFF regulation' proposal, the codecision process could be undermined.***

- ***If there is no financial agreement before the end of 2013, the 2013 ceilings would remain in 2014, plus a 2% inflation adjustment.***

- ***The European Council Conclusions compared to the EP Resolutions show important divergences between Council and the European Parliament on the future MFF.***

- ***To overcome this political impasse, substantive efforts from the negotiators will be needed before summer 2013.***

- ***The 7–8 February 2013 European Council set total allocations for the MFF 2014–2020 for 28 Member States at a lower level than for the previous MFF for 27 Member States (around EUR 34 billion less, i.e. -3.5% for both commitment and payment appropriations).***

- ***This is the first time in the EU's history that an MFF is set at a lower level than its predecessor.***

- ***In terms of relative shares in the MFF, Headings 1 and 2 have followed diverging trends between 2007 and 2020: while the first has increased by nearly 6 percentage points, the second has seen its share reduced by more than 8 percentage points.***

- ***EUR 373.2 billion is allocated to Heading 2, which includes the Common Agricultural Policy, Common Fisheries Policy and LIFE+ for the period 2014–2020, compared to EUR 421.1 billion in the period 2007–2013.***

- ***EUR 277.8 billion is allocated to direct payments and market measures in Pillar 1, while EUR 84.9 billion is assigned to rural development expenditure in Pillar 2.***

- ***EUR 50.5 billion is the level of CAP commitments in 2020, compared to the 2013 level of EUR 59.0 billion, representing a reduction of -14.4%.***

- ***EUR 37.6 billion is allocated to direct payments and market measures in 2020, compared to EUR 43.5 billion in 2013, representing a reduction of -13.6%.***

- ***EUR 11.5 billion is allocated to rural development in 2020, compared to EUR 14.2 billion in 2013, representing a reduction of -19.1%.***

- ***The European Council's position on the external convergence of Pillar 1 direct payments across Member States includes a very similar safeguard provision to that included in the COMAGRI negotiating mandate, which ensures the three Baltic States attain a slightly boosted minimum level of per hectare payment.***

- ***The European Council's decision to make the capping of support to large farms wholly voluntary for Member States represents one of the more significant divergences of opinion with COMAGRI.***

- ***While the European Council's position on 'greening' is ambiguous and encroaches on matters pertaining to codecision, it can generally be observed that in several key aspects it seems largely consistent with that of COMAGRI.***

- ***The European Council introduces the possibility to increase adjustments in favour of Rural Development up to 15%, which is compatible with the COMAGRI position.***

- ***The significant opening up of the possibility to 'reverse modulate' monies from Pillar 2 to Pillar 1 does, however, deviate considerably from COMAGRI's negotiating mandate.***

- ***The Member State breakdown of rural development funding has been skewed in favour of a number of Member States who have been afforded varying sizes of discreet allocations, the affects of which can be seen in a comparison of Pillar 2 funding shares.***

- ***The European Council Conclusions have also lowered the minimum requirements to match fund the core EAFRD allocations with national co-financing.***

- ***The European Council's decision to internalise the crisis reserve back into the MFF Heading 2 ceiling means that financial discipline is likely to become a very familiar part of the post-2013 EU agricultural landscape.***

EUROPEAN PARLIAMENT

CATALOGUE BA-32-13-102-EN-C

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT B
STRUCTURAL AND COHESION POLICIES

Role

The Policy Departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

Policy Areas

- Agriculture and Rural Development
- Culture and Education
- Fisheries
- Regional Development
- Transport and Tourism

Documents

Visit the European Parliament website:
http://www.europarl.europa.eu/studies

PHOTO CREDIT: iStock International Inc., Photodisk, Phovoir

ISBN 978-92-823-4178-0
doi: 10.2861/13255

Publications Office