



# EU Insight - Agreement on the EU's Multiannual Financial Framework (MFF) 2014-2020

On 8 February 2013 the European Council reached a political agreement on the next EU Multiannual Financial Framework (MFF). The MFF is the EU's central financial planning instrument and defines the spending of EU funds – in this case for the remaining seven years (2014-2020) of the [Europe 2020 Strategy](#)<sup>1</sup> (2010-2020).

The final MFF Regulation - legally binding in all Member States - sets out annual maximum amounts/ceilings which the EU is allowed to spend on policy areas (headings) over a period of no less than 5 years. It also sets out an annual global ceiling for total expenditure. The purpose of the MFF Regulation is to:

- translate political priorities into figures for the budget cycle 2014-2020;
- ensure budgetary discipline for the EU;
- facilitates the adoption of the annual EU budget through a multiannual framework.

The negotiation process has lasted more than a year and a half and began with the first proposal of the European Commission in mid-2011. The European Council's agreement was expected in November 2012 but was postponed until February 2013. While the European Council has finally agreed upon a framework, the MFF has yet to be confirmed by the European Parliament before entering into force in January 2014.

(For further information on the MFF negotiation process in general see [EU multiannual financial framework \(MFF\) negotiations](#); a detailed timeline covering all meetings concerning the next MFF can be found here: [State of Play - MFF Negotiations](#))

The European Council stressed, that the European Union's budget must be a catalyst for growth and jobs across Europe. Within the future Multiannual Financial Framework, spending should be mobilised to support growth, employment, competitiveness and convergence, in line with the Europe 2020 Strategy. At the same time, as fiscal discipline is reinforced in Europe, it is essential that the future MFF reflects the consolidation efforts being made by Member States to bring deficit and debt onto a more sustainable path.

The deal reached at the European Council limits the maximum possible expenditure for a European Union of 28 Member States (Croatia is expected to

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<sup>1</sup> The Europe 2020 Strategy Paper can be found here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF> .



adhere to the EU on 1 July 2013) to **EUR 959.99 billion** (all figures are given in 2011 prices) in commitments, corresponding to **1.0% of the EU's Gross National Income (GNI)**. This means that the overall expenditure ceiling has been reduced by 3.4% in real terms, compared to the current MFF (2007-2013). This is to reflect the consolidation of public finances at national level. This is the first time that the overall expenditure limit of a MFF has been reduced compared to the previous MFF. The ceiling for overall payments has been set at EUR 908.40 billion, compared to EUR 942.78 billion in the MFF 2007-2013.

Despite the cut in the overall expenditure ceiling of EUR 34.4 billion in commitments and EUR 35.2 billion in payments, **EU leaders agreed on a substantial increase of the financial means for future geared expenditure such as research, innovation and education**, in order to promote growth and create jobs. In fact, the expenditure ceiling for sub-heading 1a ("competitiveness") amounts to EUR 125.61 billion, which is an increase of more than 37% compared to the MFF 2007-2013. In addition, they committed to **increase the funding for the EU research programme "[Horizon 2020](#)"** and the "Erasmus for all" programme in real terms. Heads of state and government also agreed to create a "Connecting Europe" Facility, a new instrument to bridge the missing links in Europe's energy, transport and digital infrastructure, for which EUR 29.30 billion have been earmarked - an increase of more than 50% compared to the current MFF.

Particular priority shall be given to delivering a substantial and progressive enhancement of the EU's research, education and innovation effort, including through simplification of procedures.

The [proposals of the European Commission](#) had been more ambitious than the agreed upon results, but President Barroso declared in his statement that "the political deal made now was the highest possible level of agreement that the Heads of State and Government could reach at unanimity".

(The final agreement of the European Council can be found here: [Conclusions of the European Council](#))

Source: [European Council](#)