



A preliminary analysis of President Michel's figures

On 14 February 2020, the new President of the European Council Charles Michel unveiled his draft European Council conclusions for the MFF and own resources 2021-2027.

This note focuses on the figures contained in the proposal at overall, ceiling and programme levels. It also provides a **simulation of the 'unspecified numbers'**, i.e. those programmes whose individual amount is not stipulated. **In this simulation exercise, some figures are assumed based on average cuts from the Commission proposal calculated at heading level, taking account of the already known ceilings and envelopes.** As an exception to that rule, leftovers in Headings 2 and 3 are provisionally affected to the margins (see below). This note finally **compares** President Michel's numbers with (a) the Finnish negotiating box, (b) the Commission proposal, (c) Parliament's position and (d) the present MFF 2014-2020.

President Michel's adjustments vs. the Finnish presidency's negotiating box

With EUR 1 095 billion in commitments for 7 years, President Michel uses the Finnish presidency's negotiating box of 2 December 2019 as baseline and stands at the same overall level plus the Just Transition Fund (EUR 7,5 billion), thus **staying at 1,07% of EU's GNI**.

President Michel's proposal however **deepens the long series of Finnish presidency cuts by a magnitude of -13,4 billion** in order to create space for European Council talks. It targets programmes previously untouched or reinforced (Horizon Europe: -3 billion, agriculture: -5 billion, Asylum and Migration Fund: -0,5 billion), further cuts down Border and Coast Guards (-1 billion) and Administration (-0,5 billion) and points to a further haircut to single market, civil protection, customs, taxation, anti-fraud, Euratom, agencies, other actions and margins. He confirms the (so far implicit) Finnish presidency cut to Erasmus.

A part of the amounts released by such reductions (2,3 billion) are used to partially reinstate Commission amounts for InvestEU, Digital Europe and Space (still largely reduced). However, **most of the leftovers** (EUR 6 billion increase of Heading 2 to the detriment of other headings, EUR 5 billion released in Heading 3 to the detriment of rural development) **are believed to be set aside in the margins for future "gifts"** to be granted to individual Member States in the final stages of the negotiations, as per European Council's long-standing practice. **In terms of money actually allocated to policy envelopes, President Michel's proposal therefore stands below the Finnish proposal.**

To make the proposal more acceptable to relevant groups of Member States, President Michel **reshuffles amounts within cohesion** (1 billion from ERDF-ESF+ to Cohesion Fund, with higher sub-envelopes and co-financing for less developed and transition regions), **within CAP** (+2,5 for pillar I, -7,5 for pillar II, with higher flexibility between them and higher EAFRD co-financing) and **within defence** (1 billion from military mobility to the Defence Fund). The list of country-specific 'gifts' is also opening up (e.g. within migration funds and nuclear decommissioning). Many of those points clearly belong to **codecision**.

Overall level

While compared to the present MFF 2014-2020 (1,16% of the EU's GNI with the EDF after deducting the UK) the Commission proposal was already a reduction (1,11%), both the Finnish presidency and President Michel's proposal (1,07%) are a further half-way step towards the 1% advocated by some Member States, and away from the EP position at 1,3%. The absolute level of the Union budget would remain within a comparable range from 2014-2020 to 2021-2027 in constant prices, despite additional responsibilities and seven years of economic growth.

Cuts to cohesion and agriculture compared to the 2014-2020 period

Compared to the 2014-2020 period, the Commission proposal for 2021-2027 was already entailing cuts to cohesion and agriculture by -10% and -15% respectively (that EP seeks to reverse). President Michel is cutting **cohesion** further by -2% (concentrated on ERDF and ESF+), therefore representing a total cut of -12% vs. 2014-2020. ESF+ is -19% below the EP.

He slightly reduces the extent of the cut to **agriculture** to -14% by redistributing EUR 2,5 billion to each pillar (however stripping EUR 7,5 billion of Finnish presidency reinforcement to pillar II - rural development, which remains particularly affected with -25% vs. 2014-2020).

The **Just Transition Fund** is added with +EUR 7,5 billion, which can be put in perspective with the -7,5 billion of Finnish cut to cohesion or to the new -7,5 billion to rural development.

Programmes relatively untouched compared to Commission proposal - but below the EP

The only programmes left at COM levels - but still below the EP - would be the **European Maritime and Fisheries Fund** (1,4 billion below EP), the **LIFE** programme (1,6 billion below EP), **Humanitarian aid** (amounts approved by the EP), **Overseas Countries and Territories** (150 million below EP) and **nuclear decommissioning** (300 million below EP).

Programmes significantly cut compared to Commission proposal and to EP position

As for the novelties/clarifications of President Michel's proposal, it cuts down **Horizon Europe**¹ by 2,6 billion (-3%) vs. COM, i.e. 39 billion below the EP position of EUR 120 billion (-33%). It confirms the (so far implicit) Finnish cut to **Erasmus** (-20% vs. COM, -48% below EP), a programme that the EP seeks to triple with the declared support of President von der Leyen. It newly targets the **Asylum and Migration Fund** (-5% vs. COM and EP).

President Michel takes on board the FI cut to the **Connecting Europe Facility** (-15% vs. COM and -35% below EP), in particular the energy and digital strands by more than -30% each. He also takes on board the FI cuts to **neighbourhood and development** by -4,5% (-8,5% vs. EP), to **CFSP** by 10%, as well as to the **pre-accession** instrument by -12% (-13% vs. EP).

In areas of new/growing Union responsibility where EP approved COM levels, President Michel takes on board Finnish cuts: **defence** fund and military mobility (cut by half on average, after internal reshuffling), **border management** fund and agencies (cut by one third or more), **internal security fund** (-23%) as well as the proposed **Reform Support Programme/Budgetary Instrument for Convergence and Competitiveness** (-13,5%). **ITER** is also reduced by -7,5% and **Euratom** by -31%.

¹ This cut seems to have been already intended by the FI presidency, but wrongly reflected in its negotiating box.

Despite a slight correction compared to FI, President Michel still reduces the **Space** programme by -7% (-12% vs. EP), **InvestEU** by -13,5% (-20% vs. EP) and **Digital Europe** by -17,5%.

Going further than FI, President Michel is seeking a 2,5 billion EUR cut to **Administration**. As schools and pensions are believed to be exempted from such cut, the budget of the institutions could be led to decline not only vs. COM proposal but also vs. 2014-2020.

Unspecified numbers (not explicitly broken down per programme in the negotiating box)

Assuming a proportional cut within their respective headings, several programmes and agencies would be reduced significantly, even compared to 2014-2020.

Heading I programmes and agencies would be cut by an **average of almost -31%** vs. COM, in particular the **Single Market Programme** (estimated at -57% vs. EP). Heading II programmes and agencies would be cut by an **average of almost -20%** vs. COM: **Creative Europe** and **Justice, Rights and Values** would amount to less than half of what the EP expects.

If implementing those average cuts, **JHA agencies** would be cut by -20% to -40%. President Michel however declares Europol and Eurojust should be reinforced by +10% vs. year 2020.

Climate target

Assuming a reference threshold of (“at least”) 25% of climate spending target, actual climate investment under President Michel’s proposal could be **EUR 10 billion lower than the Commission** because of the smaller size of the MFF, and **EUR 57 billion lower than Parliament**, not counting the exponential effects due to cofinancing and leveraging.²

Special instruments (flexibilities outside the MFF ceilings)

President Michel takes over the **radical downsizing of the COM proposal** (and takes none of EP amendments) for special instruments. It caps the recycling of unused margins, forbids the re-use of decommitted appropriations and cuts down the envelopes for the Flexibility Instrument and the EGF. It reverts to COM levels on the merged Emergency Aid Reserve and EU Solidarity Fund, but excludes the possibility to reshuffle their (and EGF’s) unused amounts.

New initiatives

President Michel’s proposal provides for specific funding for the **Just Transition Fund (EUR 7,5 billion) - de facto to the detriment of other programmes**. He also puts prominently in his draft conclusions an increase of the EIB capital (which, however, does not involve the EU budget). Any other initiative put forward by the EP and/or announced by the Commission President upon her election would not be provided with specific, additional funding.

Annexes: Outline per programme; MFF overview; Methodological note Detailed tables in a separate file

² Indicatively, the threshold of 25% would translate into EUR 273,7 billion with an overall MFF as proposed by President Michel, against EUR 283,6 billion under the Commission and EUR 331 billion under the EP position - notwithstanding more ambitious overall targets as requested by EP and actual programme targets.

Annex I: Outline per programme

<i>EUR billion 2018</i>	2014-20 (1,16%)	COM (1,11%)	EP (1,3%)	FI (1,07%)	EUCO Pdt (1,07%)	vs. FI (billion)	vs. COM (%)	vs. EP (%)
I. Single Market	116,4	166,3	216,0	151,8	149,5	-2,3	- 10,1%	- 30,8%
Horizon Europe	64,7	83,5	120,0	84,0	80,9	- 3,1	- 3,1%	- 32,6%
ITER	3,0	5,4	5,4	5,0	5,0		- 7,5%	- 7,5%
InvestEU	4,0	13,1	14,1	10,0	11,3	+ 1,3	- 13,5%	- 19,7%
CEF - Transport	12,4	11,4	17,7	11,4	11,4			- 35,9%
CEF - Energy	4,2	7,7	7,7	5,2	5,2		- 32,5%	- 32,5%
CEF - Digital	1	2,7	2,7	1,8	1,8		- 31,2%	- 31,2%
Digital Europe	172,0	8,2	8,2	6,3	6,8	+ 0,5	- 17,5%	- 17,5%
Space	11,3	14,2	15,0	12,7	13,2	+ 0,5	- 7,0%	- 12,1%
Other	15,7	20,2	25,2	15,4	13,9	- 1,1	- 31,1%	- 44,8%
II. Cohesion	387,3	392,0	457,5	374,1	380,1	+ 6	- 3,0%	- 16,9%
<i>Cohesion</i>	367,6	330,6	378,1	323,2	323,2		- 2,3%	- 14,5%
ERDF+CF	272,4	242,0	272,4	236,9	237,6	+ 0,7	- 1,8%	- 12,8%
ERDF	196,6	200,6		197,2	196,9	- 0,3	- 1,9%	
Cohesion Fund	75,8	41,4		39,7	40,7	+ 1	- 1,6%	
RSP/BICC	0,2	22,2	22,2	19,2	19,2		- 13,5%	- 13,5%
ESF+	96,2	89,7	106,8	87,3	86,7	- 0,6	- 3,4%	- 18,9%
Erasmus+	13,7	26,4	41,1	21,2	21,2	- 0,3	- 19,6%	- 48,4%
Other	6,1	7,7	10,1	6,2	6,2	- 0,2	- 19,7%	- 38,4%
Margin	-1,4	4,0	5,0	3,2	9,2	+ 6	+ 129,9%	+ 84,7%
III. Natural	399,6	336,6	404,7	346,6	354,1	+ 7,5	+ 5,2%	- 12,5%
<i>Agriculture</i>	382,9	324,3	383,3	334,3	329,3	- 5	+ 1,5%	- 14,1%
EAGF	286,1	254,2		254,2	256,7	+ 2,5	+ 1,0%	
EAFRD	96,7	70,0		80,0	72,5	- 7,5	+ 3,6%	
LIFE	3,2	4,8	6,4	4,8	4,8		- 0,3%	- 25,3%
JTF			4,8		7,5	+ 7,5		+ 56,3%
Other	7,5	6,7	8,2	6,7	6,7	+ 0	- 0,3%	- 18,8%
Margin	6,0	0,8	2,0	0,8	5,8	+ 5	+ 613,8%	+ 190,6%
IV. Migration	10,1	30,8	32,2	23,4	21,9	- 1,5	- 29,0%	- 32,0%
AMF	6,7	9,2	9,2	9,2	8,7	- 0,5	- 5,4%	- 5,4%
IBMF	2,8	8,2	8,2	5,5	5,5		- 33,2%	- 33,2%
Agcies incl ECBG	3,2	11,4	12,7	7,5	6,5	- 1	- 42,8%	- 49,0%
Margin	-2,6	2,0	2,0	1,2	1,2		- 41,5%	- 41,5%
V. Security	2,0	24,3	24,6	14,7	14,3	- 0,4	- 41,3%	- 42,0%
ISF	1,2	2,2	2,2	1,7	1,7		- 22,8%	- 22,8%
Decommissioning	1,4	1,0	1,4	1,0	1,0		+ 0,0%	- 23,1%
Defence Fund	0,5	11,5	11,5	6,0	7,0	+ 1	- 38,8%	- 38,8%
Military Mobility	0,0	5,8	5,8	2,5	1,5	- 1	- 74,0%	- 74,0%
Other	-1,2	3,8	3,9	3,4	3,0	- 0,4	- 21,4%	- 21,4%
VI. World	96,3	108,9	113,4	103,2	101,9	- 1,3	- 6,4%	- 10,1%
NDICI	71,5	79,0	82,5	75,5	75,5		- 4,4%	- 8,4%
Humanitarian Aid	9,9	9,8	9,8	9,8	9,8		+ 0,0%	+ 0,0%
CFSP	2,1	2,6	2,6		2,4		- 10,3%	- 10,3%
OCTs	0,6	0,4	0,4		0,4		+ 0,1%	- 25,2%
Pre-Accession	13,0	12,9	13,0	11,4	11,4		- 11,7%	- 12,6%
Other	-1,1	4,3	4,9	3,8	2,5	- 1,3	- 42,1%	- 49,9%
VII. Admin	70,8	75,6	75,6	73,6	73,1	- 0,5	- 3,3%	- 3,3%
incl. Institutions	56,7	58,5	58,5		56,0		- 4,3%	- 4,3%
TOTAL	1 082,3	1 134,6	1 324,1	1 087,3	1 094,8	+ 7,5	- 3,5%	- 17,3%

Annex II - MFF overview

	MFF 2014-2020 (EU27+EDF) 1,16% EU-GNI	COM MFF proposal 2021-2027 (EU27+EDF) 1,11% EU-GNI	EP position 2021-2027 (EU27+EDF) 1,3% EU-GNI	FI presidency 5/12 proposal 2021-2027 1,07% EU-GNI	Charles Michel proposal 2021- 2017 1,07% EU-GNI	Comparison CM proposal vs. FI		Comparison CM proposal vs. COM		Comparison CM proposal vs. EP		Comparison CM proposal vs. MFF 2014-2020 (EU27+EDF)	
<i>EUR million 2018 prices</i>													
I. Single Market, Innovation and Digital	116.361	166.303	216.010	151.790	149.502	- 2 288	- 1,5%	- 16 801	- 10,1%	- 66 508	- 30,8%	+ 33 141	+ 28,5%
II. Cohesion and Values	387.250	391.974	457.540	374.056	380.056	+ 6 000	+ 1,6%	- 11 918	- 3,0%	- 77 484	- 16,9%	- 7 194	- 1,9%
Of which: Economic, social and territorial cohesion	367.552	330.642	378.097	323.181	323.181	+ 0	+ 0,0%	- 7 461	- 2,3%	- 54 916	- 14,5%	- 44 371	- 12,1%
III. Natural Resources and Environment	399.608	336.623	404.718	346.582	354.082	+ 7 500	+ 2,2%	+ 17 459	+ 5,2%	- 50 636	- 12,5%	- 45 526	- 11,4%
IV. Migration and Border Management	10.051	30.829	32.194	23.389	21.890	- 1 499	- 6,4%	- 8 939	- 29,0%	- 10 304	- 32,0%	+ 11 839	+ 117,8%
V. Security and Defence	1.964	24.323	24.639	14.691	14.290	- 401	- 2,7%	- 10 033	- 41,2%	- 10 349	- 42,0%	+ 12 326	+ 627,6%
VI. Neighbourhood and the World	95.119	108.929	113.386	103.217	101.905	- 1 312	- 1,3%	- 7 024	- 6,4%	- 11 481	- 10,1%	+ 6 786	+ 7,1%
VII. European Public Administration	70.791	75.602	75.602	73.602	73.102	- 500	- 0,7%	- 2 500	- 3,3%	- 2 500	- 3,3%	+ 2 311	+ 3,3%
TOTAL COMMITMENT APPROPRIATIONS	1.081.144	1.134.583	1.324.089	1.087.327	1.094.827	+ 7 500	+ 0,7%	- 39 756	- 3,5%	- 229 262	- 17,3%	+ 13 683	+ 1,3%
as a percentage of GNI	1,16%	1,11%	1,30%	1,07%	1,07%								
TOTAL PAYMENT APPROPRIATIONS		1.104.805	1.294.311	1.080.000	1.084.054	+ 4 054	+ 0,4%	- 20 751	- 1,9%	- 210 257	- 16,2%		
as a percentage of GNI		1,08%	1,27%	1,06%	1,06%								
OUTSIDE THE MFF CEILINGS													
Emergency aid reserve	2.040	4.200	7.000										
EU Solidarity Fund (EUSF)	3.500	4.200	7.000										
<i>Sub-total EAR + EUSF (Council: Solidarity and Emergency Aid Reserve)</i>	5.540	8.400	14.000	6.440	8.400	+ 1 960	+ 30,4%	+ 0	+ 0,0%	- 5 600	- 40,0%	+ 2 860	+ 51,6%
European Globalisation Adjustment Fund (EGF)	1.050	1.400	1.400	1.302	1.302	+ 0	+ 0,0%	- 98	- 7,0%	- 98	- 7,0%	+ 252	+ 24,0%
Flexibility instrument	3.813	7.000	14.000	5.404	5.404	+ 0	+ 0,0%	- 1 596	- 22,8%	- 8 596	- 61,4%	+ 1 591	+ 41,7%
European Investment Stabilisation Function		p.m.	p.m.										
European Peace Facility (outside the MFF)		9.223	9.223	4.500	8.000								

Annex III - Methodological note

Where there is no explicit figure in the negotiating box/President Michel's proposal, this note refers to simulated figures for programmes, agencies and margins by reflecting proportionally the variation observed at heading level, after deducting programme figures that are already provided; in the detailed tables circulated together with this note, the simulation figures appear against an orange background in the Finnish presidency and President Michel columns and give an indicative picture of the average variation per programme. They are without prejudice to future proposals and positions to be taken by the Council and to be negotiated with the European Parliament.

Annexes I and II compare President Michel's proposals with:

- The Finnish presidency's negotiating box;
- The Commission proposals for the MFF 2021-2027;
- The European Parliament's position on the MFF 2021-2027 as set out in the [interim report of 14 November 2018](#) (reconfirmed in the [resolution of 10 October 2019](#));
- The present MFF 2014-2020 (UK expenditure deducted, European Development Fund included) based on the figures provided by the Commission shortly after its May 2018 proposals (technical fiche n°1).

In the detailed tables circulated together with this note, figures also appear for the year 2020 (UK expenditure deducted, EDF included), multiplied by 7 for the single purpose of comparison, as in the Commission's technical fiche n°1. This helps showing the trend that would be followed by a given programme from its point of departure, namely at the end of the present MFF.

The 2014-2020 reference figures are based on a working document ("technical fiche n°1") provided to the other institutions by the European Commission in May 2018 (updated in June 2018) and which has served as main point of comparison so far in the MFF negotiations. Those figures take into account the adopted budgets and financial programming (derived from the overall programme envelopes) at the time, and deduct the average share of expenditure committed in the UK. They do not take into account the outcome of the 2019 and 2020 budget negotiations.

As in the Commission's technical fiche n°1, the 2014-2020 figure for Humanitarian Aid correspond to the initial Humanitarian Aid envelope + the mobilisation of the the Emergency Aid Reserve until 2017 (which originate from an additional thematic special instrument outside the MFF ceilings). The Emergency Aid Reserve is proposed again for 2021-2027 and would come on top of the Humanitarian Aid envelope per se.

Given that President Michel's proposal and/or the Finnish negotiating box contained aggregates of figures or, on the contrary, sub-figures, new lines have been created (compared to the tables used so far e.g. in the EP's interim report) in order to facilitate the comparison (notably calculation of EAR + EUSF, European Border and Coast Guard agency, CFSP + OCT).

Small discrepancies may appear on the last decimals due to the rounding of figures.

This is a preliminary exercise and will be fine-tuned in the next stages of consideration.