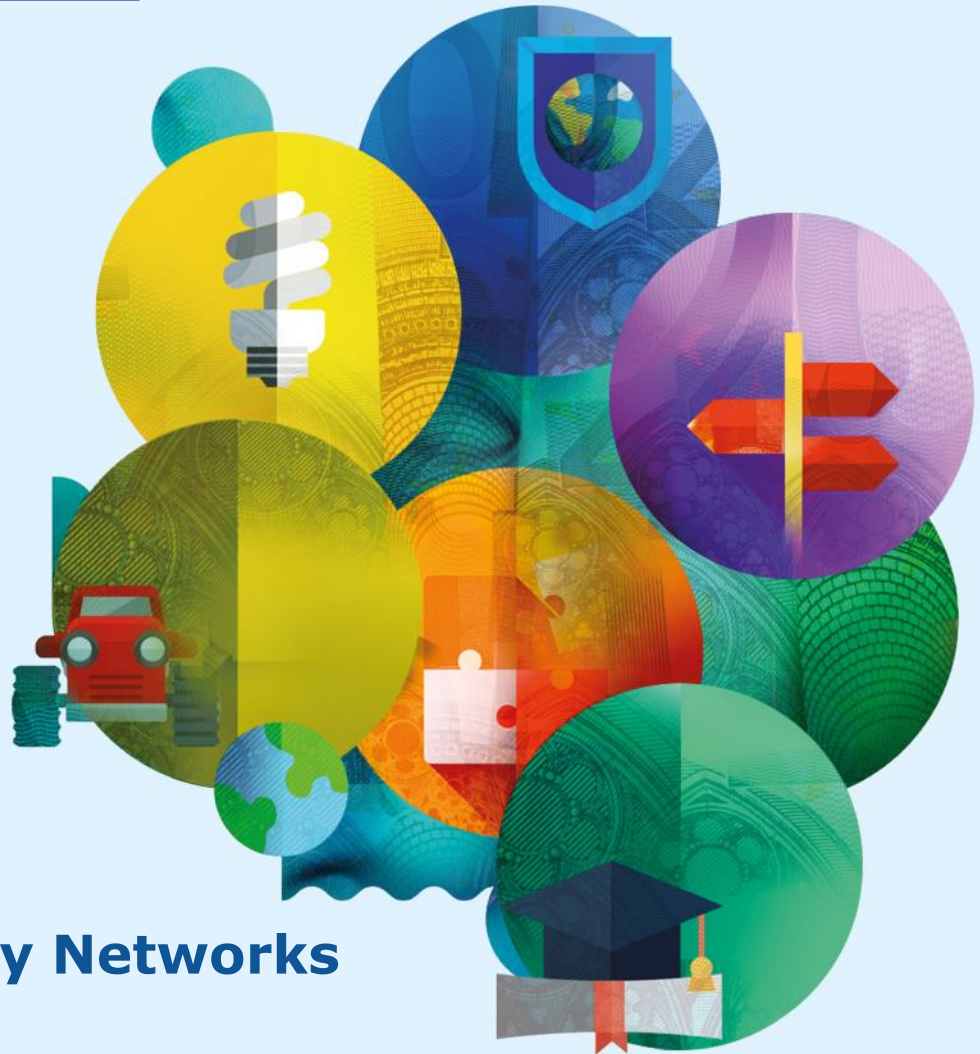


# An **EU BUDGET** to draw our common **FUTURE**

**Dr Nancy Pascall**  
**DG CNECT**  
**Investment in High Capacity Networks**





# KEY FEATURES

## Multiannual Financial Framework 2021-2027

‘A modern budget for a Union that protects, empowers and defends’



More funding for  
priority areas



A new mechanism  
to protect the  
EU budget from  
financial risks  
linked to the rule  
of law



A strong focus on  
European added  
value and on  
performance



Less red tape for  
beneficiaries



A more flexible and  
agile budget with a  
clearer and leaner  
architecture



European  
Commission



# ALIGNED TO POLITICAL PRIORITIES (2)

## Simplification, transparency and flexibility

In billion euro, current prices



### I. SINGLE MARKET, INNOVATION AND DIGITAL

€187.4

- 1 Research and Innovation
- 2 European Strategic Investments
- 3 Single Market
- 4 Space



### II. COHESION AND VALUES

€442.4

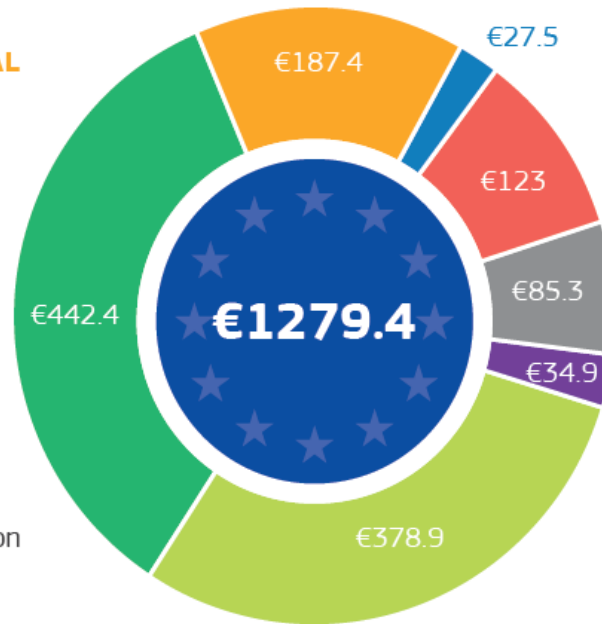
- 5 Regional Development and Cohesion
- 6 Economic and Monetary Union
- 7 Investing in People, Social Cohesion and Values



### III. NATURAL RESOURCES AND ENVIRONMENT

€378.9

- 8 Agriculture and Maritime Policy
- 9 Environment and Climate Action



### V. SECURITY AND DEFENCE

€27.5

- 12 Security
- 13 Defence
- 14 Crisis Response



### VI. NEIGHBOURHOOD AND THE WORLD

€123

- 15 External Action
- 16 Pre-Accession Assistance



### VII. EUROPEAN PUBLIC ADMINISTRATION

€85.3

- 17 European Public Administration



### IV. MIGRATION AND BORDER MANAGEMENT

€34.9

- 10 Migration
- 11 Border Management

Source: European Commission



# ALIGNED TO POLITICAL PRIORITIES (3)



## I SINGLE MARKET, INNOVATION & DIGITAL

### 1 Research & Innovation

- Horizon Europe
- International Thermonuclear Experimental Reactor (ITER)
- Euratom Research & Training Programme

### 2 **European Strategic Investments**

- **InvestEU Fund**
- **Connecting Europe Facility**
- **Digital Europe Programme (incl. Cybersecurity)**

### 3 Single Market

- Single Market Programme (incl. Competitiveness and Small and Medium-Sized Enterprises - COSME, Food Safety, Statistics, Competition and Administrative Cooperation)
- EU Anti-Fraud Programme
- Cooperation in the Field of Taxation (FISCALIS)
- Cooperation in the Field of Customs (CUSTOMS)

### 4 Space

- European Space Programme



## II COHESION & VALUES

### 5 Regional Development & Cohesion

- European Regional Development Fund
- Cohesion Fund
- Support to the Turkish-Cypriot Community

### 6 Economic & Monetary Union

- Reform Support Programme including the Reform Delivery Tool and Convergence Facility
- Protection of the Euro Against Counterfeiting

### 7 Investing in People, Social Cohesion & Values

- European Social Fund + (incl. Integration of Migrants & Health)
- ERASMUS+
- European Solidarity Corps
- Justice, Rights & Values
- Creative Europe (incl. MEDIA)

European Solidarity Fund

European Investment Stabilisation Function

Globalization Adjustment Fund





# ALIGNED TO POLITICAL PRIORITIES (4)



## III NATURAL RESOURCES & ENVIRONMENT

### 8 Agriculture & Maritime Policy

- European Agricultural Guarantee Fund
- European Agricultural Fund for Rural Development
- European Maritime & Fisheries Fund

### 9 Environment & Climate Action

- Programme for Environment & Climate Action (LIFE)

25% climate mainstreaming across the EU Budget



## IV MIGRATION & BORDER MANAGEMENT

### 10 Migration

- Asylum & Migration Fund

### 11 Border Management

- Integrated Border Management Fund

European Border and Coast Guard (Frontex)



## V SECURITY & DEFENCE

### 12 Security

- Internal Security Fund
- Nuclear Decommissioning (Lithuania)
- Nuclear Safety and Decommissioning (incl. for Bulgaria and Slovakia)

### 13 Defence

- European Defence Fund
- Connecting Europe Facility - Military Mobility

### 14 Crisis Response

- Union Civil Protection Mechanism (rescEU)

European Peace Facility

Emergency Aid Reserve



## VI NEIGHBOURHOOD & THE WORLD

### 15 External Action\*

- Neighbourhood, Development and International Cooperation Instrument (incl. external aspects of migration)
- Humanitarian Aid
- Common Foreign & Security Policy
- Overseas Countries and Territories (including Greenland)
- **16 Pre-Accession Assistance**
- Pre-Accession Assistance

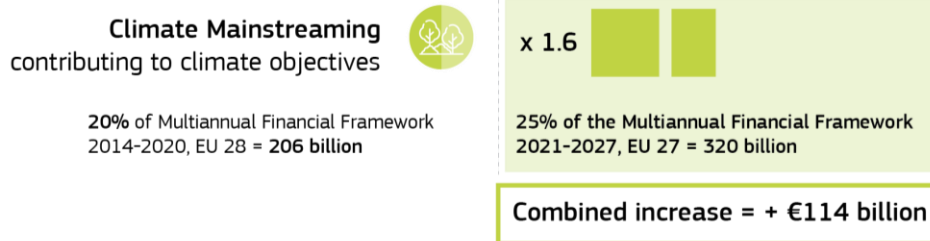
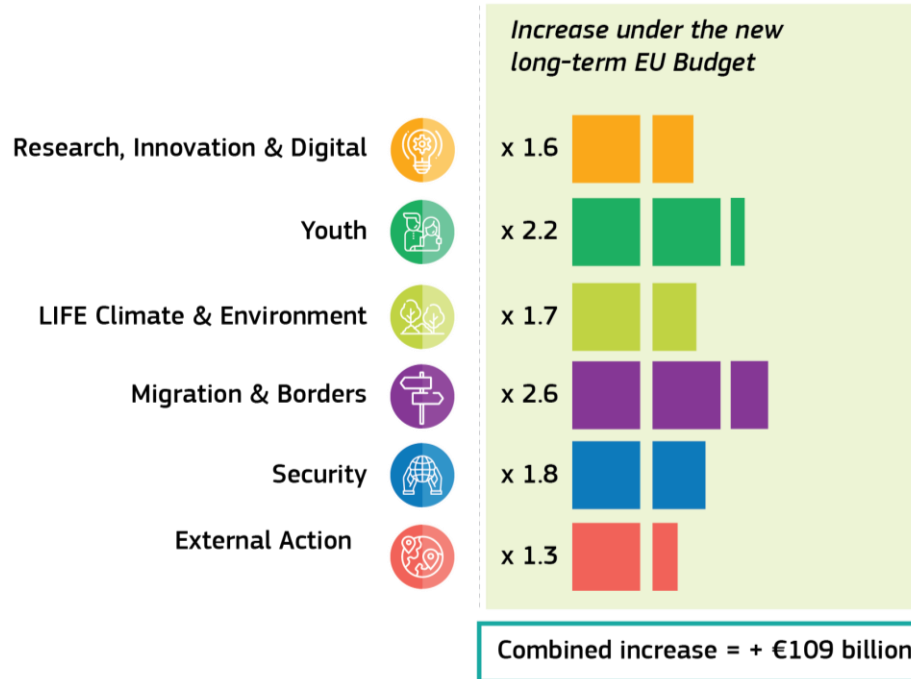
\*The European Peace Facility is an off - budget fund outside the Financial Framework





# FOCUSED ON EUROPEAN ADDED VALUE

## Reinforcement of priority areas



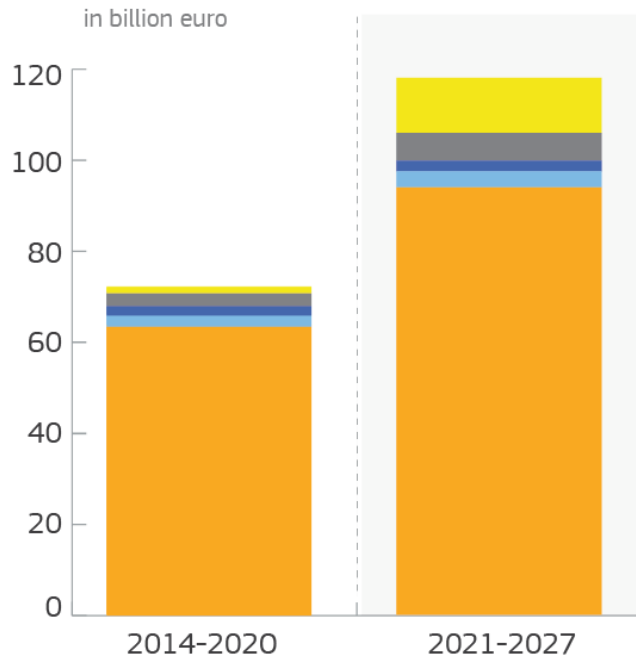
Note: Compared to Multiannual Financial Framework 2014-2020 at EU-27, including European Development Fund

Source: European Commission



# RESEARCH AND INNOVATION

## Investing in the future



- Building on the success of the EU's past flagship research and innovation programmes, the Commission proposes to **increase investment in research-innovation and digital** by allocating **€114.2 billion** for the future MFF.

Digital Europe Programme & Connecting Europe Facility - Digital

International Thermonuclear Experimental Reactor (ITER)

Euratom Research and Training Programme

Innovation Window InvestEU Fund

Horizon Europe

Source: European Commission

Note: Compared to the Multiannual Financial Framework 2014-2020 at EU-27 (estimate)

Source: European Commission



## DIGITAL TRANSFORMATION

- ❑ The Commission proposes to create a new **Digital Europe programme (DEP)** with an overall budget of **€9.2 billion** to shape and support the digital transformation of Europe's society and economy.
  
- ❑ The digital strand of the Connecting Europe Facility **(CEF)** has a budget of **€3 billion** which will finance digital connectivity infrastructure.



# Digital Europe programme



# Digital Europe programme: why?



- Mismatch between demand and supply of essential digital capacities
- A clear investment gap in such capacities and infrastructures
- Public sector does not play its role of "first mover"
- Difficult for SMEs to acquire/access latest technologies and skills

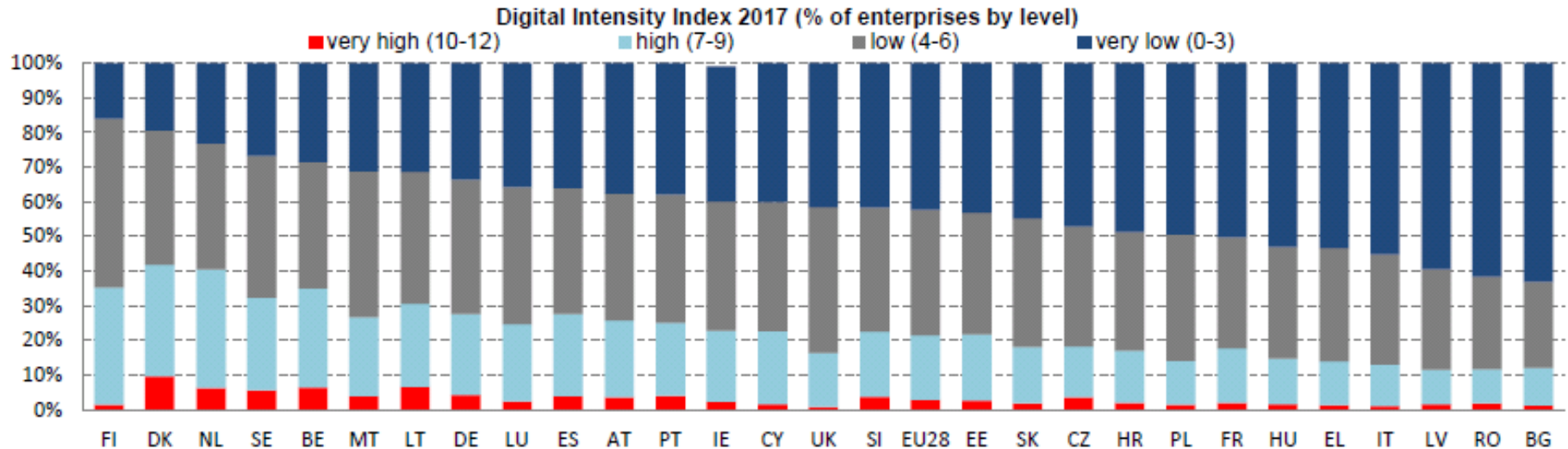
# Examples – Below critical investments in core digital capacities

- EU industry provides about 5% of high performance computing resources worldwide, but consumes one third of them
- In artificial intelligence, Europe invested USD 3-4 billion in 2016, compared with USD 8-12 billion in Asia and USD 15-23 billion in North America
- Cost of damage from cybersecurity attacks is expected to reach EUR 6 trillion in 2021, but EU investment in advanced cybersecurity capacities remains modest
- There are more than 400.000 open vacancies for digital technology experts in the EU; over 47% of EU companies experience difficulties in recruiting ICT specialists

*See also Impact Assessment for further information*

# Examples – Level of digitisation

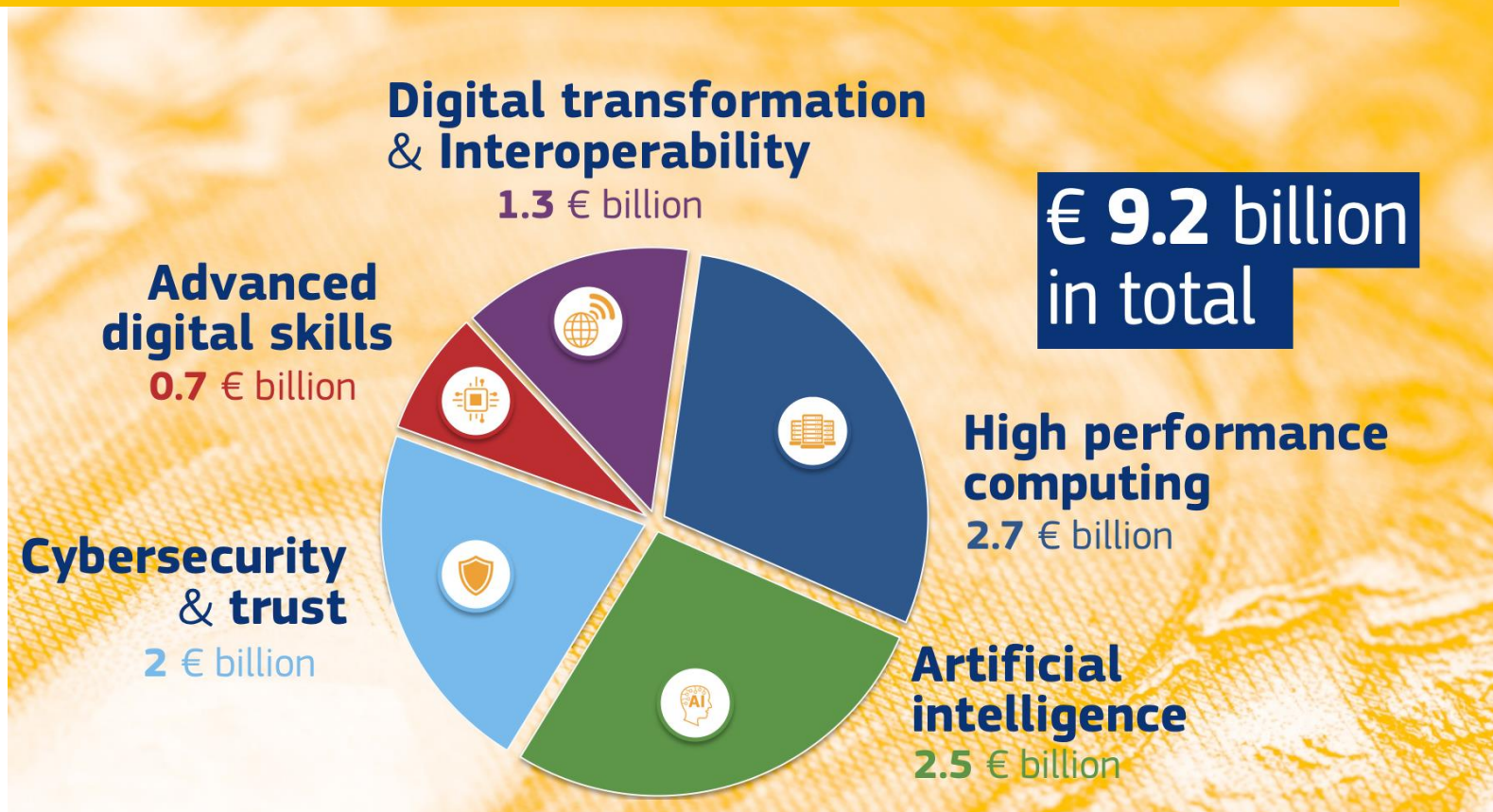
- Only a fifth of companies in the EU-28 are highly digitised, and the situation across countries is varied



Source: DESI (European Commission services based on Eurostat), 2018

# Digital Europe programme – what?

*Reinforcing digital capacities. Ensuring their best use.*



#EUBudget  
#DigitalEurope



# High Performance Computing



- **Application areas:** health, environment, climate, security, research, etc.
- **Implementation:** indirect management (EuroHPC Joint Undertaking)



# Artificial Intelligence

Bring the power of the AI to  
businesses & public  
administrations

Strengthen testing  
and experimentation  
facilities across the EU



Facilitate safe access  
and storage of data  
and algorithms

- **Application areas:** health, earth/environment monitoring, mobility, security, manufacturing, finance, etc.
- **Implementation:** direct management



# Cybersecurity and Trust



Support procurement of advanced equipment, tools & data infrastructures



Support the best use of European knowledge, capacity and skills



Ensure wide deployment of latest solutions across the economy



Reinforce capabilities for high level of network & information systems

- **Application areas:** public sector, critical infrastructures, health, environment, research, etc.
- **Implementation:** indirect management (European Cybersecurity Industrial, Technology and Research Competence Centre)



# Example – Towards EU cybersecurity certified and interoperable IoT devices

- **Objective:**
  - Mitigate the risk from millions of new connected devices
  - Informed choices and higher security through certification
  - support cybersecurity certification framework (draft Cyber Act COM(2017)477)
- **Action:**
  - Incentivise industry to certify their products and services
  - Incentivise conformity assessment bodies to expand their cybersecurity-related capabilities
  - generating new tools and methods for conformity assessment
  - supporting relevant standardisation activities
- **Implementation:**
  - Small grants to companies, in particular SMEs, to obtain certification
  - Grants to conformity assessment bodies

# Advanced Digital Skills

€ 700 million to support new opportunities for people to gain advanced digital skills to support the deployment of AI, HPC, Cyber



Long-term training courses for students and working people



On-the-job trainings and traineeships for young people



Short-term training courses for small businesses

- **Implementation:** primarily direct management (possibly using an executive agency) and indirect management (EuroHPC JU and the Cybersecurity Competence Centre)



# Deployment, use of digital capacities and interoperability



Support digital transformation of areas of public interest

Support digital transformation of industry

*Uptake of new Technologies and ensure continuous capacity to adapt to fast evolving trends*

- **Application areas:** public administrations, health and care, education, judiciary, transport, energy, environment, culture and creative sectors, etc.
- **Implementation:** direct management (partially with Executive Agency)

## Three levels of intervention



**Co-investing with MS in high-end infrastructures**



**Reinforcing existing MS capacities**



**Ensuring best use of capacities in public sector & industry**

## A coherent package



**Focuses on key areas**



**Complementarity and synergies**

# Example – Digital Innovation Hubs

- **Objective:**
  - a network of Digital Innovation Hubs ensuring that all businesses, notably SMEs, and the public sector have access to state of the art digital technologies, in particular HPC, AI and cybersecurity for adapting to digital change
- **Action:**
  - co-investment with Member States to strengthen the capacity of hubs to deliver digital transformation services
- **Implementation:**
  - Grants



EU support for one  
DIH per region



Co-investment with  
Member States



For SMEs and  
public services



Focus on HPC, AI,  
Cybersecurity and  
Digital Skills



A strong European  
network of Digital  
Innovation Hubs

# Preparatory steps for implementation

- **Strategic orientations during 2019:**
  - To define priorities for the first years of the next MFF
  - Forms basis for the Work Programmes
- **Stakeholder consultation**
- **Preparation of the first Work Programmes during 2020**

# Find out more about digital in MFF

## EU budget for the future

[http://ec.europa.eu/budget/mff/index\\_en.cfm](http://ec.europa.eu/budget/mff/index_en.cfm)

### Facebook

Digital Single Market

### Twitter

@DSMeu

**#EUBudget**  
**#DigitalEurope**





# EU BUDGET AND ECONOMIC MONETARY UNION

(Heading 2 + outside MFF)

□ In the future long-term EU budget **two new instruments** are proposed:

- Reform Support Programme;
- European Investment Stabilisation Function.

□ These new instruments will help:

- Support economic and social convergence;
- Maintain macroeconomic stability in the Euro area.





# REGIONAL DEVELOPMENT AND COHESION

- ❑ A strengthened link with the European Semester
- ❑ A simplified framework and less red tape for the beneficiaries of the funds
- ❑ A more tailored approach to regional development
- ❑ Relative per capita income as the predominant criterion for allocating funds

## EUROPEAN REGIONAL DEVELOPMENT AND COHESION FUND

**Budget of €273 billion**



investing in research and innovation



support small businesses



help with the transition towards a low-carbon economy



support digital, energy and transport networks



fund better health, education and social infrastructure and sustainable urban development

## EUROPEAN SOCIAL FUND+

**Budget of €101 billion**



investing in people



ensuring fairer opportunities for all



funding skills, youth employment and social inclusion



# INVESTING IN PEOPLE

- ❑ The proposals upgrade the **European Social Fund** into a **European Social Fund+** with an overall budget of **€100 billion**, simplifying and increasing its effectiveness.
- ❑ More than doubling the size of a **substantially strengthened, inclusive and extended Erasmus+ programme**, further promoting learning mobility across the EU.
- ❑ A **reinforced European Solidarity Corps** will integrate the existing EU Aid Volunteers programme. This will offer European citizens a unique opportunity to engage in solidarity activities within and outside Europe.



# COMMON AGRICULTURAL POLICY

- ❑ The modernised **Common Agricultural Policy** based on a **new delivery model** will:
  - Place a greater emphasis on the environment and climate;
  - Support the transition towards a more sustainable agricultural sector;
  - Support the development of vibrant rural areas.
  
- ❑ The modernised policy will have a budget of **€365 billion** and continue to be built around two pillars:
  - direct payments to farmers and
  - rural development funding.
  
- ❑ For rural development, the Commission proposes to increase **national co-financing rates**. In addition, an amount of **€10 billion** in Horizon Europe will support research and innovation in food, agriculture, rural development and the bioeconomy.



# SUSTAINABILITY, ENVIRONMENT PROTECTION AND FIGHT AGAINST CLIMATE CHANGE

**Climate Mainstreaming**  
contributing to climate objectives



20% of Multiannual Financial Framework  
2014-2020, EU 28 = **206 billion**

x 1.6



25% of the Multiannual Financial Framework  
2021-2027, EU 27 = **320 billion**

**Combined increase = + €114 billion**

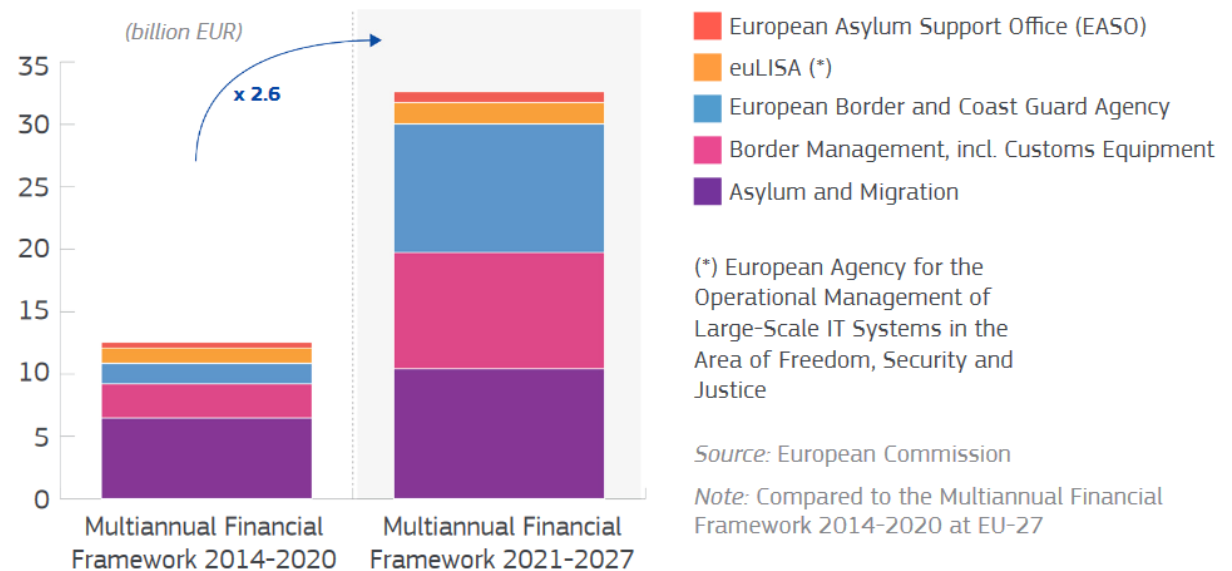
- ❑ **LIFE programme will be strengthened (€5.4 billion)** and will also support measures promoting energy efficiency and clean energy.
- ❑ **Common Agricultural Policy** will place a greater emphasis on environment and climate. It will support the transition towards more sustainable ways of providing safe and high-quality food for the EU's consumers.
- ❑ All farmers receiving area payments will have **to comply with a range of requirements related to climate change**, water, soil, biodiversity and landscapes.



# MIGRATION AND BORDER MANAGEMENT

- The **EU budget for the management of external borders, migration and asylum** will be significantly **reinforced**, overall, reaching **€35 billion**, compared to €13 billion for the period 2014-2020.

**A strong focus on migration and protecting our external border**

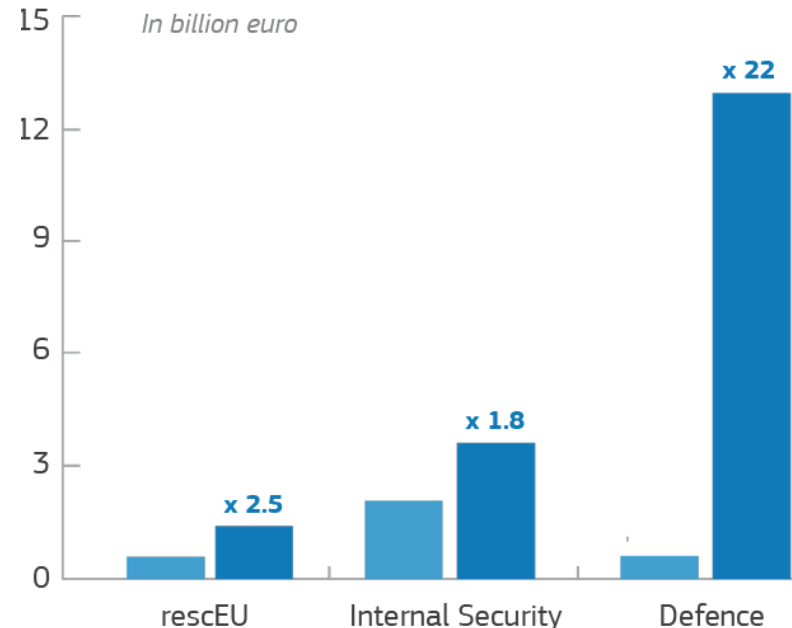




# SECURITY & DEFENCE

- ❑ **+ €28 billion** (of which €5 billion for security)
- ❑ **€13 billion** (over the 7 years period) for the **European Defence Fund**
- ❑ **€7 billion** (through the Connecting Europe Facility) to enhance strategic transport infrastructures to make them fit for **military mobility**
- ❑ **European Peace Facility** for action in external security and defence

## A step change for security and defence



Source: European Commission

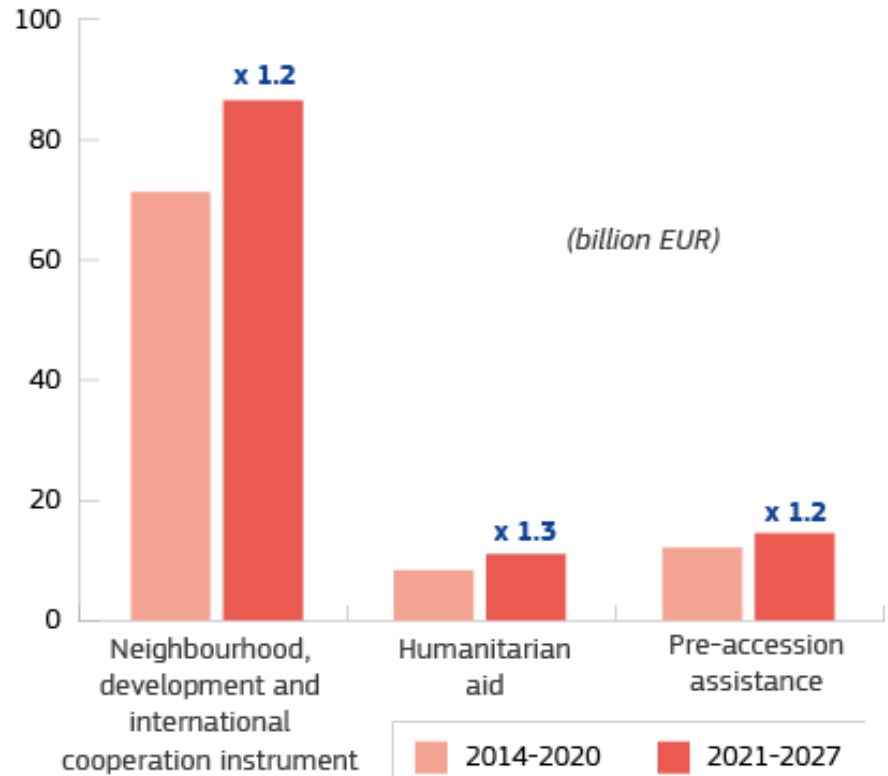
Note: Compared to Multiannual Financial Framework at eu-27 (estimate)



# NEIGHBOURHOOD AND THE WORLD (1)

**Over half of all development aid** comes from the EU and its members, making them collectively the **world's largest aid donor**.

- The Commission proposes **to increase investment in the external actions up to 26% to reach €123 billion** in the future long-term EU budget.

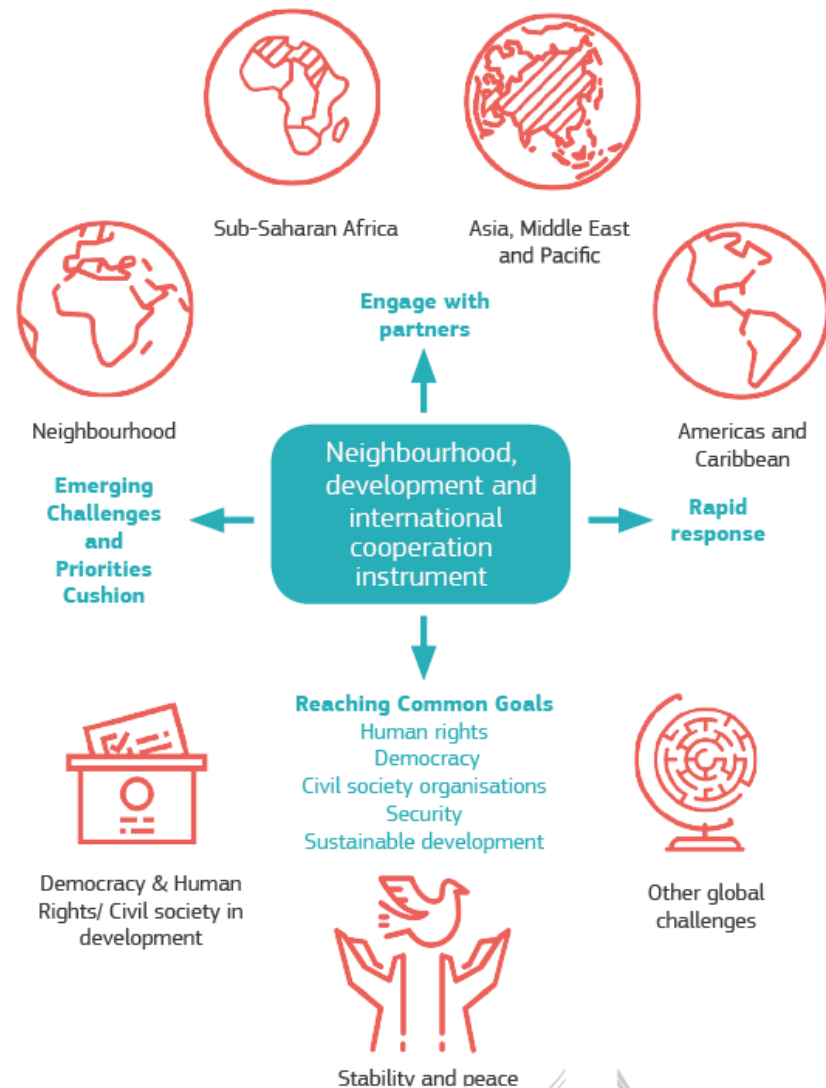




## NEIGHBOURHOOD AND THE WORLD (2)

The neighbourhood, development and international cooperation instrument

- ❑ Major restructuring of the EU's external action instruments to provide better coherence, build on cooperation effectiveness, simplify processes and use economies of scale.
- ❑ New neighbourhood, development and international cooperation instrument

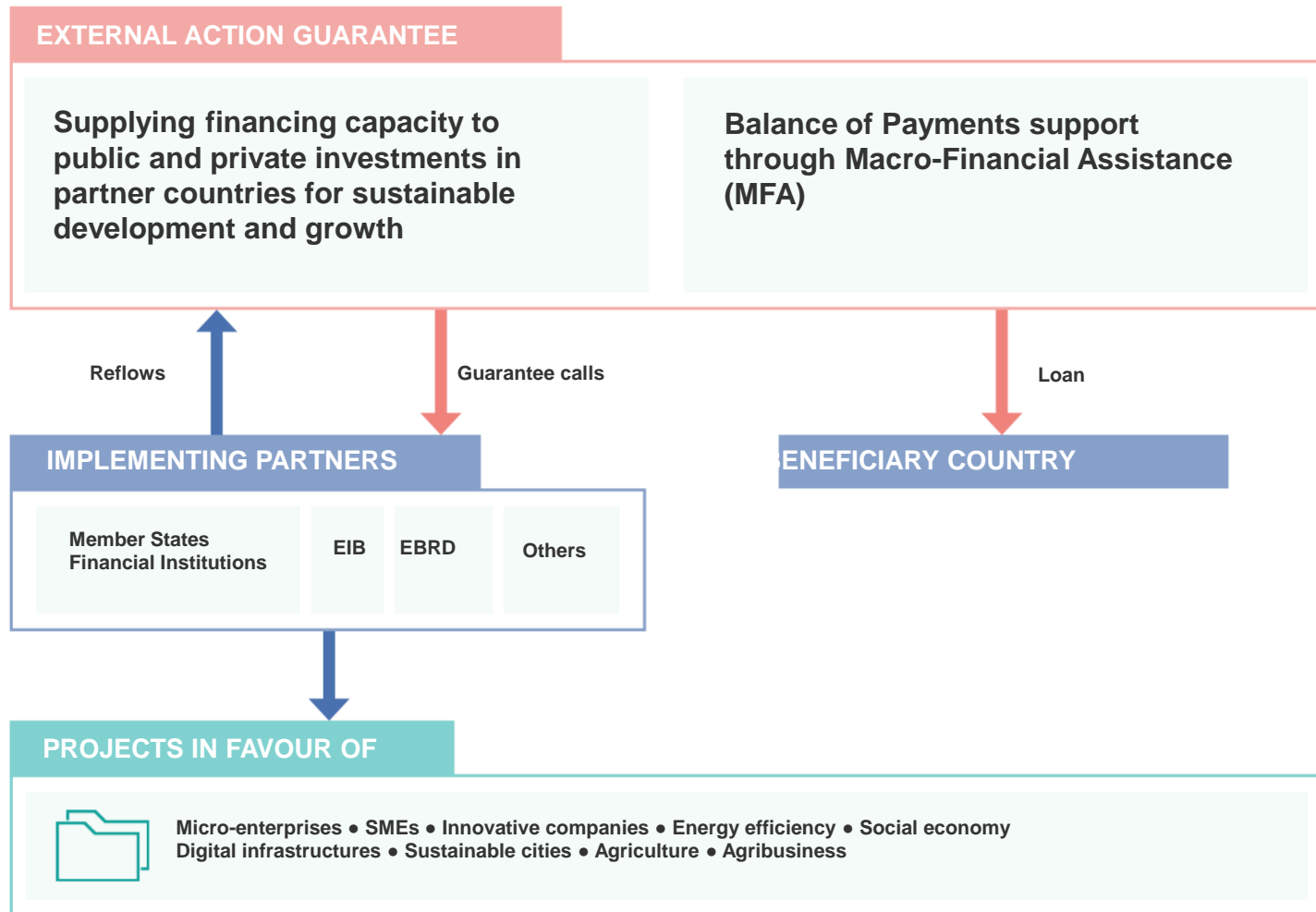






# NEIGHBOURHOOD AND THE WORLD (3)

## Streamlining tools to promote investment





# FLEXIBILITY

Providing an agile response to new needs and challenges



## Programming

- Re-programming at mid-term
- Blending of funds & transfers between management modes



## Response to crises & unforeseen events

- Programme Reserves (unallocated envelopes) within each programme
- Agricultural Crisis Reserve
- Union Civil Protection Mechanism
- Special Instruments:
  -  Emergency Aid Reserve
  -  European Union Solidarity Fund
  -  European Globalisation Adjustment Fund
  -  Off-budget: European Peace Facility



## Extra flexibility between headings and years

- **Global Margin for Payments**
- **Contingency Margin**
- **Flexibility Instrument**
- From Global Margin for Commitments to **Union Reserve:**
  - ✓ Unused margins from previous years
  - ✓ Decommittments: Funds that have been committed to the EU budget but which are ultimately not spent in the implementation of EU programmes



# SOUND FINANCIAL MANAGEMENT AND THE RULE OF LAW



New **mechanism** will allow:

to suspend, reduce or restrict access to EU funding

in a manner proportionate to the nature, gravity and scope of the rule of law deficiencies

when a "generalised deficiency" may affect the financial interests of the EU



It will **apply to**:

all EU funds implemented in shared management

to funds implemented in direct and indirect management where the financial beneficiary is a government entity



It would **not affect**:

the individual beneficiaries of EU funding

Member States would continue to be obliged to implement the affected programmes and pay final recipients

## HOW WILL IT WORK?

The Commission sees that conditions for invoking the mechanism are fulfilled

The Commission informs the Member State concerned

Member State has a specified time period which shall not be less than one month to send explanations

The decision to impose such protective measures will then be taken by the Commission

The Council will need to adopt the decision through reversed qualified majority voting<sup>1</sup>

The measures will stay in place until the deficiencies regarding the rule of law cease to exist



# FINANCING THE EU BUDGET (1)

## Simplification and diversification of revenue sources

### Modernisation of existing Own Resources



**Value Added Tax-based:** simplified



**Traditional Own Resources** (mainly customs duties):  
lower collection costs (20% to 10%)



**GNI-based contribution:** smaller share

### New Own Resources



**Common Consolidated Corporate Tax Base**



20% of revenues from emissions trading system



National contribution based on non-recycled plastic packaging waste

### Other revenues



**Seigniorage** (External assigned revenue for new Investment Stabilisation Function)



Revenues of new European Travel Information and Authorisation System

### No rebates



Phasing out mechanism over five years

### Higher Own Resources ceiling



From currently 1.2% of GNI to 1.29% of GNI

# Thank you !

#DigitalEurope

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