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COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

concerning the revision of the multiannual financial framework (2007-2013)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**amending the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and
sound financial management as regards the multiannual financial framework**

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

concerning the revision of the multiannual financial framework (2007-2013)

Financing trans-European energy interconnections and broadband infrastructure projects in the context of the European Economic Recovery Plan

This Communication contains a proposal for the revision of the multiannual financial framework (hereinafter referred to as "the financial framework") in accordance with Points 21 to 23 of the Interinstitutional Agreement (IIA) of 17 May 2006 on budgetary discipline and sound financial management.

Point 21 of the IIA provides that, in the event of unforeseen circumstances, the Commission may propose the revision of the financial framework in compliance with the own resources ceiling.

According to Point 22, any decision to revise the financial framework by up to 0.03% of the European Union GNI needs to be taken jointly by both arms of the budgetary authority in compliance with the voting rules laid down in the fifth subparagraph of Article 272(9) of the Treaty establishing the European Community. Any revision above 0.03% of the European Union GNI will be taken jointly by both arms of the budgetary authority, with the Council acting unanimously.

Point 23 of the IIA introduces a number of specific conditions the institutions need to respect:

- (1) The institutions will examine the scope for reallocating expenditure between the programmes covered by the heading concerned by the revision, with particular reference to any expected under-utilisation of appropriations. The objective should be that a significant amount, in absolute terms and as a percentage of the new expenditure planned, should be within the existing ceiling for the heading.
- (2) The institutions will examine the scope for offsetting any raising of the ceiling for one heading by the lowering of the ceiling for another.
- (3) Any revision of the compulsory expenditure in the financial framework must not lead to a reduction in the amount available for non-compulsory expenditure¹.
- (4) Any revision must maintain an appropriate relationship between commitments and payments.

¹ Condition not applicable in the case of the present proposal.

1. ADDITIONAL FINANCING NEEDS DUE TO UNFORESEEN CIRCUMSTANCES

On 26 November 2008, the Commission made a comprehensive proposal for a European Economic Recovery Plan which aims at using and coordinating all tools at the disposal of the Union and its Member States to respond to the looming recession of the European economy as a consequence of the financial crisis². A crisis of this scale of the global financial markets and economy would represent and unforeseen circumstance within the meaning of Point 21 of the Interinstitutional Agreement of 17 May 2006³. It calls for a swift, ambitious and well-targeted action, such as proposed in the European Economic Recovery Plan.

The Plan foresees a co-ordinated fiscal stimulus of about EUR 200 billion, or 1.5% of GDP, with around EUR 170 billion provided by actions in the Member States' own budgets, and around EUR 30 billion as EU level action within the EU budget and from the European Investment Bank (EIB).

As part of the EU's contribution to this stimulus, the Plan proposes to improve energy interconnections and broadband infrastructure by mobilising a further EUR 5 billion for the years 2009 and 2010. Accelerating investments in these areas as part of a major structural shift towards a low-carbon economy is considered to offer both immediate and long-lasting benefits to the Union.

The Commission remains fully committed to budgetary discipline as set out in the Interinstitutional Agreement of 17 May 2006. In the context of an economic crisis of an unprecedented dimension it suggests, however, to use amounts available within the ceilings of the financial framework which otherwise will remain unspent.

2. SCOPE FOR REALLOCATING EXPENDITURE UNDER THE CEILING OF HEADING 1A

In accordance with Point 23 of the IIA the Commission has examined the scope for reallocating expenditure between the programmes covered by the heading concerned by the proposed revision, with particular reference to any expected under-utilisation of appropriations. It appears that the programmes have all been adopted with their respective envelopes without possibility at this stage to redeploy or re-profile significantly the envelopes within the annual ceilings. Furthermore, the purpose of the proposed revision is to provide additional means for operating the shift towards a low-carbon economy, in line with the European Economic Recovery Plan's approach, without this being at the expense of other priority programmes and activities financed under Heading 1A.

Point 13 of the IIA provides that the institutions are required to ensure that "sufficient margins" are left available beneath the ceilings. According to the latest financial programming⁴, the margins available under the ceilings of heading 1 A for the years 2009 to 2013 amount to a total of EUR 684 million. The Commission concludes, with a view to Point 13 of the IIA, that the margins of heading 1A cannot be used to contribute to the financing of the additional activities foreseen in the European Economic Recovery Plan.

² COM(2008) 800.

³ Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management of 17 May 2006 (OJ C 139, 14.6.2006, p.1).

⁴ SEC(2008) 514, May 2008.

3. SCOPE FOR OFFSETTING THE RAISING OF ONE CEILING BY LOWERING ANOTHER CEILING

The Commission considers that EUR 5,000 million can be made available to heading 1A "Competitiveness for Growth and Employment" by using the margins of heading 2 "Preservation and Management of Natural Resources".

The margins available or foreseen for heading 2 are EUR 3,600 million in 2008 and EUR 3,850 million in 2009.

The considerable margin foreseen for 2009 is mainly due to the high level of assigned revenue estimated in that year (EUR 1,050 million) and the high amount of assigned revenue carried over from 2008 (EUR 1,340 million). It is also explained by the very low level of market expenditure.

Consequently, the Commission proposes to increase the annual ceilings for commitment appropriations under heading 1A by EUR 3,000 million for 2009 and by EUR 2,000 million for 2010. This increase will be offset by a decrease of the annual ceilings for commitment appropriations under heading 2 by EUR 3,500 million for 2008 and EUR 1,500 million for 2009.

This decision shall not prejudice the funding of required Common Agricultural Policy (CAP) expenditure. As regards the decrease of heading 2, the Commission undertakes to take all appropriate measures to ensure that decisions taken on CAP expenditure and its financing, including the agreement on the Health Check, are respected.

4. MAINTAINING AN APPROPRIATE RELATIONSHIP BETWEEN COMMITMENTS AND PAYMENTS

Point 23 of the IIA also requires that any revision must maintain an appropriate relationship between commitments and payments.

Based on the payment profiles foreseen for the additional commitments under heading 1A and the corresponding reduction of payments related to heading 2, the annual ceilings for payment appropriations should be modified as follows:

Total payment appropriations (EUR million, current prices)	2007	2008	2009	2010	2011	2012	2013	2007-2013
- current IIA ceiling ⁵	122 190	129 681	123 858	133 505	133 452	140 200	142 408	925 294
- required modification	0	-3 500	-1 110	1 070	1 590	1 450	500	0

Overall, this modification is neutral in budgetary terms.

⁵ OJ L 128, 16.5.2008, p. 8 and 9.

5. OVERVIEW OF THE PROPOSED REVISION OF THE FINANCIAL FRAMEWORK

The table below summarises the proposed changes to the ceilings in the financial framework. These amounts are expressed in current prices.

Commitment appropriations (EUR million)	2007	2008	2009	2010	2011	2012	2013	2007-2013
Heading 1A - Competitiveness for Growth and Employment	0	0	3 000	2 000	0	0	0	5 000
Heading 2 - Preservation and Management of Natural Resources	0	-3 500	-1 500	0	0	0	0	-5 000
Total change in commitment appropriations	0	-3 500	1 500	2 000	0	0	0	0
Total change in payment appropriations	0	-3 500	-1 110	1 070	1 590	1 450	500	0

These changes result in the below financial framework table in current prices.

The formal decision on the revision of the financial framework must refer to the basic table agreed in the IIA, which is expressed in constant 2004 prices. The amounts in current values are thus to be converted into 2004 prices by means of a fixed deflator of 2% a year, in accordance with Point 16 of the IIA.

FINANCIAL FRAMEWORK 2007-2013 REVISED FOR EUROPEAN ECONOMIC RECOVERY PLAN

(EUR million – current prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	53 979	57 653	62 700	63 782	63 638	66 628	69 621	438 001
1a Competitiveness for Growth and Employment	8 918	10 386	14 272	14 388	12 987	14 203	15 433	90 587
1b Cohesion for Growth and Employment	45 061	47 267	48 428	49 394	50 651	52 425	54 188	347 414
2. Preservation and Management of Natural Resources	55 143	55 693	58 139	60 113	60 338	60 810	61 289	411 525
of which: market related expenditure and direct payments	45 759	46 217	46 679	47 146	47 617	48 093	48 574	330 085
3. Citizenship, freedom, security and justice	1 273	1 362	1 523	1 693	1 889	2 105	2 376	12 221
3a Freedom, Security and Justice	637	747	872	1 025	1 206	1 406	1 661	7 554
3b Citizenship	636	615	651	668	683	699	715	4 667
4. EU as a global player	6 578	7 002	7 440	7 893	8 430	8 997	9 595	55 935
5. Administration ⁽¹⁾	7 039	7 380	7 699	8 008	8 334	8 670	9 095	56 225
6. Compensations	445	207	210					862
TOTAL COMMITMENT APPROPRIATIONS	124 457	129 297	137 711	141 489	142 629	147 210	151 976	974 769
as a percentage of GNI	1.04%	1.03%	1.05%	1.03%	1.00%	0.99%	0.98%	1.02%

TOTAL PAYMENT APPROPRIATIONS	122 190	126 181	122 748	134 575	135 042	141 650	142 908	925 294
as a percentage of GNI	1.02%	1.01%	0.93%	0.98%	0.94%	0.95%	0.92%	0.96%
Margin available	0.22%	0.23%	0.31%	0.26%	0.30%	0.29%	0.32%	0.28%
Own Resources Ceiling as a percentage of GNI	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of € 500 million at 2004 prices for the period 2007-2013.

Proposal for a

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management⁶, and in particular to Point 21, the first and second paragraphs of Point 22, and Point 23 thereof,

Having regard to the proposal from the Commission⁷,

Whereas:

- (1) On 26 November 2008, the Commission adopted the Communication to the European Council "A European Economic Recovery Plan"⁸, which aims at using and coordinating all tools at the disposal of the European Union and its Member States to respond to the looming recession of the European economy as a consequence of the financial crisis. A crisis of this scale of the global financial markets and economy would represent an unforeseen circumstance within the meaning of Point 21 of the Interinstitutional Agreement of 17 May 2006.
- (2) The Plan foresees a co-ordinated fiscal stimulus of about EUR 200 billion, or 1.5% of GDP, with around EUR 170 billion provided by actions in the Member States' own budgets, and around EUR 30 billion as action at the level and within the budget of the European Union and from the European Investment Bank.
- (3) As part of the European Union contribution to that stimulus, the Plan proposes to improve energy interconnections and broadband infrastructure by mobilising a further EUR 5 billion for the years 2009 and 2010. Accelerating investments in these areas as part of a major structural shift towards a low-carbon economy is considered to offer both immediate and long-lasting benefits to the European Union.
- (4) The required increase in the global ceiling of heading 1A can be offset by a decrease in the ceilings for heading 2 "Preservation and Management of Natural Resources" for the years 2008 and 2009.
- (5) In order to maintain an appropriate relationship between commitments and payments, the annual ceilings for payment appropriations should be adjusted.
- (6) Annex I to the Interinstitutional Agreement on budgetary discipline and sound financial management of 17 May 2006 should therefore be amended accordingly,

⁶ OJ C139, 14.6.2006, p. 1.

⁷ COM(2008)...

⁸ COM(2008) 800.

HAVE DECIDED AS FOLLOWS:

Sole Article

Annex I to the Interinstitutional Agreement on budgetary discipline and sound financial management of 17 May 2006 is replaced by the Annex to this Decision.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX

FINANCIAL FRAMEWORK 2007-2013 (revised)

(EUR million - constant 2004 prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	50 865	53 262	56 789	56 636	55 400	56 866	58 256	388 074
1a Competitiveness for Growth and Employment	8 404	9 595	12 927	12 776	11 306	12 122	12 914	80 044
1b Cohesion for Growth and Employment	42 461	43 667	43 862	43 860	44 094	44 744	45 342	308 030
2. Preservation and Management of Natural Resources	51 962	51 452	52 658	53 379	52 528	51 901	51 284	365 164
of which: market related expenditure and direct payments	43 120	42 697	42 279	41 864	41 453	41 047	40 645	293 105
3. Citizenship, freedom, security and justice	1 199	1 258	1 380	1 503	1 645	1 797	1 988	10 770
3a Freedom, Security and Justice	600	690	790	910	1 050	1 200	1 390	6 630
3b Citizenship	599	568	590	593	595	597	598	4 140
4. EU as a global player	6 199	6 469	6 739	7 009	7 339	7 679	8 029	49 463
5. Administration ⁽¹⁾	6 633	6 818	6 973	7 111	7 255	7 400	7 610	49 800
6. Compensations	419	191	190					800
TOTAL COMMITMENT APPROPRIATIONS	117 277	119 450	124 729	125 638	124 167	125 643	127 167	864 071
as a percentage of GNI	1.08%	1.06%	1.08%	1.06%	1.03%	1.02%	1.01%	1.048%

TOTAL PAYMENT APPROPRIATIONS	115 142	116 572	111 177	119 499	117 562	120 897	119 579	820 428
as a percentage of GNI	1.06%	1.03%	0.96%	1.01%	0.98%	0.98%	0.95%	1.00%
Margin available	0.18%	0.21%	0.28%	0.23%	0.26%	0.26%	0.29%	0.24%
Own Resources Ceiling as a percentage of GNI	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of € 500 million at 2004 prices for the period 2007-2013.