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

**on the technical adjustment of the financial framework for 2011 in line with movements in GNI, including the adjustment of amounts allocated from funds supporting cohesion to the Member States concerned by divergence between estimated and actual GDP for the period 2007-2009**

presented in accordance with points 16 and 17 of the Interinstitutional Agreement of 17 May 2006

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

**on the technical adjustment of the financial framework for 2011 in line with movements in GNI, including the adjustment of amounts allocated from funds supporting cohesion to the Member States concerned by divergence between estimated and actual GDP for the period 2007-2009**

## 1. INTRODUCTION

In 2010, exceptionally, the annual technical adjustment of the financial framework for 2011 concerns not only the regular adjustment to movements in prices and GNI (Point 16 of the Interinstitutional Agreement (IIA) of 17 May 2006 on budgetary discipline and sound financial management<sup>1</sup>) but also an adjustment for heading 1B (Point 17 of the IIA).

In fact, Point 17 of the IIA states that, "*in its technical adjustment for the year 2011, if it is established that any Member's State cumulated GDP for 2007-2009 has diverged by more than +/- 5% from the cumulated GDP estimated when drawing up this Agreement, the Commission will adjust the amounts allocated from funds supporting cohesion to the Member State concerned for that period...*". Point 17 further introduces a first constraint that the total net effect, whether positive or negative, of those adjustments may not exceed €3 billion and in particular a second constraint that, in case the net effect is positive, "*total additional resources shall be limited to the level of under-spending against the ceilings for sub-heading 1B for the years 2007-2010*". Finally Point 17 stipulates that "*the required adjustments will be spread in equal proportions over the years 2011-2013 and the corresponding ceilings will be modified accordingly.*"

According to Point 16 of the IIA, the Commission makes each year, ahead of the budgetary procedure for year n+1, a technical adjustment to the financial framework in line with movements in the EU's gross national income (GNI) and prices and communicates the results to the two arms of the budgetary authority. As far as prices are concerned, expenditure ceilings at current prices are established using the fixed 2% deflator foreseen in point 16 of the IIA. As far as movements in GNI are concerned, the present Communication includes the latest economic forecasts available.

The purpose of this communication is to present to the budgetary authority the result of the technical adjustment (EU-27) for 2011 according to Points 16 and 17 of the IIA.

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<sup>1</sup> OJ C 139, 14/06/2006, p. 1.

## 2. ADJUSTMENT OF THE 2011-2013 CEILINGS FOR HEADING 1B (POINT 17)

### 2.1. Eligibility of Member States

According to Point 17 of the IIA, the Commission must adjust the amounts allocated from funds supporting cohesion for any Member State for which the cumulated GDP for 2007-2009 has diverged by more than +/- 5% from the cumulated GDP estimated at the time the IIA was being drawn up. The divergence must therefore be measured between the statistics published in April 2005<sup>2</sup> and those published in November 2009, which represent the most recent data available.

This provision only has practical applications for those Member States whose global cohesion allocation is subject to capping<sup>3</sup>, i.e. Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania and Slovakia. The amounts allocated from funds supporting cohesion for the other Member States are not affected by the 2007-2009 divergence in GDP.

The comparison between both sets of statistical data yields the following result:

GDP DIVERGENCE FOR MEMBER STATES SUBJECT TO CAPPING (in million of euro)									
MS	GDP April 2005				GDP November 2009				Change in cumulated GDP (in %)
	2004 prices				2004 prices				
	2007	2008	2009	2007-2009	2007	2008	2009	2007-2009	2007-2009
BG	22.912	24.333	25.841	73.086	23.836	25.270	23.787	72.893	-0,3%
CZ	96.288	98.984	101.558	296.830	106.370	108.991	103.761	319.121	7,5%
EE	10.692	11.430	12.219	34.341	12.493	12.047	10.402	34.942	1,8%
LV	13.591	14.556	15.575	43.723	15.258	14.563	11.945	41.766	-4,5%
LT	21.431	22.653	23.921	68.005	23.188	23.828	19.510	66.526	-2,2%
HU	89.668	92.807	96.055	278.530	89.840	90.419	84.574	264.833	-4,9%
PL	221.697	230.565	239.326	691.588	240.056	252.069	255.084	747.209	8,0%
RO	68.474	72.308	76.430	217.211	72.943	77.494	71.313	221.750	2,1%
SK	38.193	40.026	42.028	120.247	43.441	46.218	43.527	133.186	10,8%

No Member State has a negative GDP divergence of more than 5%. There is therefore no need to reduce the amounts allocated to any Member State. On the other hand, there are three Member States with a positive divergence in excess of 5%: the Czech Republic (+ 7.5%), Poland (+ 8.0%) and Slovakia (+ 10.8%). The amounts allocated from funds supporting cohesion for these Member States will therefore have to be increased.

### 2.2. Establishment of the global amount of 'underspending'

Since the net effect of the adjustment will be positive, it is necessary to determine the level of 'underspending' against the ceilings for sub-heading 1B for the years 2007-2010. This 'underspending' consists of three different elements<sup>4</sup>:

<sup>2</sup> Point 9 of Annex II to Council Regulation 1083/2006 of 11 July 2006.

<sup>3</sup> Points 7, 8 and 11 of Annex II to Council Regulation 1083/2006 of 11 July 2006.

<sup>4</sup> As explained in the Working document of the Commission services 'Fiche 99' of 15 February 2006.

- the sum of the differences between the ceilings for heading 1B for each of the years 2007 to 2010 and the commitment appropriations budgeted for the period;
- the cancelled (or lapsed) commitment appropriations under heading 1b for each of the years 2007 to 2010, excluding the 2007 amounts transferred to subsequent years under point 48 of the IIA<sup>5</sup>;
- the de-commitments of the years 2007-2010 related to cohesion expenditure, excluding the amounts related to EAGGF Guidance and the FIG.

The details of the 'underspending' are given in the table below, taking into account the most recent data available.

<b>TOTAL AMOUNT OF 'UNDERSPENDING'</b>					
<i>(euro, in current prices)</i>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2007-2010</b>
Margin remaining under the MFF ceiling	215 496	11 051 280	115 331	407 908	11 790 015
Commitment appropriations lapsing	42 787 703	19 160 452	15 389 737		77 337 892
-of which: ERDF	29 717 900	8 838 287	7 043 668		45 599 856
ESF	6 259 180	2 488 174	3 542 515		12 289 869
CF	6 810 622	7 833 991	4 803 554		19 448 167
Decommitted amounts	323 264 877	318 477 242	276 279 461		918 021 581
-of which: ERDF	124 407 271	149 551 124	133 199 660		407 158 056
ESF	108 725 892	133 800 548	64 175 778		306 702 218
CF	90 131 714	35 125 570	78 904 023		204 161 307
<b>Total</b>	<b>366 268 076</b>	<b>348 688 975</b>	<b>291 784 529</b>	<b>407 908</b>	<b>1 007 149 488</b>

The positive adjustment for all Member states concerned will therefore be globally restricted to an amount of €1 007 million. This amount respects the first constraint limiting the total net effect of the adjustments to €3 billion.

### 2.3. Adjustment of the 2011-2013 ceilings for heading 1B

Based on the global allocations by Member State for the period 2007-2009, the positive adjustment would theoretically have amounted to €3 331 million. However, given the constraint presented by the level of 'underspending', the positive adjustments are proportionally reduced as follows:

<b>TOTAL ADJUSTMENT PER MEMBER STATE</b> <i>(in euro, in current prices)</i>				
MS	Total allocation heading 1B	Change in cumulated GDP	Theoretical adjustment	Actual adjustment restricted to 'underspending'
	2007-2009	2007-2009	2011-2013	2011-2013
CZ	10 440 261 659	7,5%	784 045 993	237 045 801
PL	26 007 799 809	8,0%	2 091 682 418	632 392 153
SK	4 233 110 456	10,8%	455 490 779	137 711 534
<b>TOTAL</b>	<b>40 681 171 924</b>		<b>3 331 219 190</b>	<b>1 007 149 488</b>

<sup>5</sup> Decision of the European Parliament and of the Council of 29 April 2008 (OJ L 128/8 16.5.2008)

The required adjustments need to be spread in equal proportions over the years 2011-2013. Furthermore, the corresponding adjustments of the ceilings for heading 1B need to be made in million of euro.

The ceilings for commitment appropriations for heading 1B (in current prices) are therefore increased as follows:

- 2011: + 336 million
- 2012: + 336 million
- 2013: + 336 million

#### 2.4. Payment appropriations

Point 23, fourth paragraph, of the IIA provides that any revision must maintain an appropriate relationship between commitments and payments. Hence, the annual ceilings for payment appropriations need to be modified on the basis of the payment profiles foreseen for the additional commitments under heading 1b. Given that most of the payments related to this increase in commitments are expected to occur post-2013, the increase in the payment ceilings remains limited.

The ceilings for payment appropriations (in current prices) are therefore increased as follows:

- 2011: + 17 million
- 2012: + 87 million
- 2013: + 187 million

#### 2.5. Summary table and conclusion

The below table summarises the changes to the ceilings for commitment and payment appropriations in the financial framework. Amounts are expressed in current prices:

(EUR million)	2007	2008	2009	2010	2011	2012	2013	2007-2013
<b>1b. Cohesion for Growth and Employment</b>					336	336	336	1 008
<b>Total change in commitment appropriations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>1 008</b>
<b>Total change in payment appropriations</b>					17	87	178	282

The financial framework table included in the IIA<sup>6</sup> 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.

<sup>6</sup> As most recently amended by the Decision of the European Parliament and of the Council of 17 December 2009 amending the IIA of 17 May 2006 on budgetary discipline and sound financial

Table 1 shows the financial framework for EU-27 in 2004 prices as modified in accordance with Point 17 of the IIA.

### **3. TECHNICAL ADJUSTMENT OF THE FINANCIAL FRAMEWORK FOR 2011 IN LINE WITH MOVEMENTS OF GNI (POINT 16)**

Table 2 shows the financial framework for EU-27 taking into account the above-mentioned adjustment of the 2011-2013 ceilings and adjusted for 2011 (i.e. in current prices and expressed in percentage of GNI using the latest economic forecasts available).

#### **3.1. Total figure for GNI**

According to the latest forecast available, the GNI for 2011 is established at EUR 12 354 021.3 million in current prices for EU-27 (and at EUR 11 966 504.7 million for 2010, EUR 11 614 170.1 million for 2009, EUR 12 294 000.1 million for 2008 and EUR 12 206 170.2 million for 2007).

For subsequent years (2012-2013) the EU-27 GNI has been calculated on the basis of internal Commission projections for the annual average growth rate in real terms. These projections are indicative and will be updated annually on the basis of the latest economic forecasts available.

The 2010 and 2011 GNI includes financial intermediation services indirectly measured (FISIM) based on Council Decision 2010/196/EU, Euratom of 16 March 2010 to apply FISIM for own resources purposes<sup>7</sup> from 1 January 2010 onwards.

#### **3.2. Main results of the technical adjustment of the Financial Framework for 2011 (EU-27)**

The overall ceiling on commitment appropriations for 2011 (EUR 142 965 million) equals 1.16 % of GNI.

The corresponding overall ceiling concerning the payment appropriations (EUR 134 280 million) equals 1.09 % of GNI. On the basis of the latest economic forecasts, this leaves a margin beneath the 1.23 % own resources ceiling of EUR 17 674 million (0.14 % of GNI for EU-27).

The ceilings for own resources and for commitment appropriations were adapted following the entry into force of Decision 2010/196 to apply FISIM for own resources purposes<sup>8</sup>.

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management as regards the multiannual financial framework – Financing projects in the field of energy in the context of the European Economic Recovery Plan (OJ L 347, 24/12/2009, p. 26).

<sup>7</sup> Council Decision 2010/196/EU, Euratom of 16 March 2010 on the allocation of financial intermediation services indirectly measured (FISIM) for the establishment of the Gross National Income (GNI) used for the purposes of the European Union's budget and its own resources, OJ L 87, 7.4.2010, p. 31.

<sup>8</sup> Communication from the Commission to the EP and the Council on the adaptation of the ceiling of own resources and of the ceiling for appropriations for commitments following the decision to apply FISIM for own resources purposes, COM(2010) 162 final.

## **4. OTHER ELEMENTS LINKED TO THE TECHNICAL ADJUSTMENT**

### **4.1. Heading 5 (Administration)**

In the case of heading 5, a footnote to the financial framework states that the figures for pensions included under the ceiling for this heading are to be calculated net of staff contributions to the pension scheme, up to a maximum of EUR 500 million (2004 prices) for the period 2007-2013. This provision should be interpreted as imposing a dual limit on the amounts deducted from expenditure on pensions when applying the ceiling of the heading:

- This amount may not exceed the contributions actually entered as budget revenue in any one year;
- The accumulated total of deductions for the period 2007-2013 may not exceed EUR 500 million at 2004 prices, equivalent to an average of EUR 71.4 million (EUR 82 million at 2011 prices).

The recurrent nature of administrative expenditure imposes that the lowest limit is adopted annually to avoid using a margin at the start of the period which would no longer be fully available afterwards. For 2011 the amount to be deducted is EUR 82 million at current prices.

### **4.2. Expenditure items outside the financial framework 2007-2013**

A number of instruments are available outside expenditure ceilings agreed in the financial framework 2007-2013. These instruments aim at providing rapid response to exceptional or unforeseen events, and provide some flexibility beyond the agreed expenditure ceilings within certain limits:

- the *Emergency Aid reserve*, which can be mobilised up to a maximum amount of EUR 221 million per year in 2004 prices, or EUR 253.9 million in 2011 at current prices (EUR 1 744 million for the whole period in current prices);
- the *EU Solidarity Fund*, whose maximum annual amount in current prices is EUR 1 billion;
- the *Flexibility Instrument*, with a maximum annual amount in current prices of EUR 200 million, plus the portion of the unused annual amounts of the years 2008-2010, which may be carried over to year 2011;

In addition, it will be possible to mobilise the *European Globalisation Adjustment Fund* (EGF) up to a maximum of EUR 500 million per year in current prices by drawing from any margin existing under the global ceiling for commitment appropriations of the previous year, and/or from cancelled commitments from the previous two years (excluding those related to heading 1b).

## **5. OPERATIONS OUTSIDE THE BUDGET AND OWN RESOURCES**

The fourth subparagraph of Point 11 of the Interinstitutional Agreement states that information relating to operations not included in the general budget and the

foreseeable development of the various categories of own resources is to be set out in tables, as an indication, and updated annually when the technical adjustment is made to the financial framework.

This information, updated in line with the latest estimates available, is set out in Tables 3.1 to 3.2. It covers the European Development Fund (EDF) and the structure of own resources.

**ANNEX**

**TABLE 1: FINANCIAL FRAMEWORK 2007-2013 ADJUSTED FOR POINT 17**

*(EUR million - constant 2004 prices)*

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
<b>1. Sustainable Growth</b>	<b>50 865</b>	<b>53 262</b>	<b>55 879</b>	<b>56 435</b>	<b>55 693</b>	<b>57 153</b>	<b>58 537</b>	<b>387 824</b>
1a Competitiveness for Growth and Employment	8 404	9 595	12 018	12 580	11 306	12 122	12 914	78 939
1b Cohesion for Growth and Employment	42 461	43 667	43 861	43 855	44 387	45 031	45 623	308 885
<b>2. Preservation and Management of Natural Resources</b>	<b>51 962</b>	<b>54 685</b>	<b>51 023</b>	<b>53 238</b>	<b>52 528</b>	<b>51 901</b>	<b>51 284</b>	<b>366 621</b>
of which: market related expenditure and direct payments	43 120	42 697	42 279	41 864	41 453	41 047	40 645	293 105
<b>3. Citizenship, freedom, security and justice</b>	<b>1 199</b>	<b>1 258</b>	<b>1 375</b>	<b>1 503</b>	<b>1 645</b>	<b>1 797</b>	<b>1 988</b>	<b>10 765</b>
3a Freedom, Security and Justice	600	690	785	910	1 050	1 200	1 390	6 625
3b Citizenship	599	568	590	593	595	597	598	4 140
<b>4. EU as a global player</b>	<b>6 199</b>	<b>6 469</b>	<b>6 739</b>	<b>7 009</b>	<b>7 339</b>	<b>7 679</b>	<b>8 029</b>	<b>49 463</b>
<b>5. Administration <sup>(1)</sup></b>	<b>6 633</b>	<b>6 818</b>	<b>6 816</b>	<b>6 999</b>	<b>7 255</b>	<b>7 400</b>	<b>7 610</b>	<b>49 531</b>
<b>6. Compensations</b>	<b>419</b>	<b>191</b>	<b>190</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>800</b>
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<b>117 277</b>	<b>122 683</b>	<b>122 022</b>	<b>125 184</b>	<b>124 460</b>	<b>125 930</b>	<b>127 448</b>	<b>865 004</b>
as a percentage of GNI	1,08%	1,09%	1,06%	1,06%	1,03%	1,02%	1,01%	1,049%
<b>TOTAL PAYMENT APPROPRIATIONS</b>	<b>115 142</b>	<b>119 805</b>	<b>109 091</b>	<b>119 245</b>	<b>116 899</b>	<b>120 649</b>	<b>119 933</b>	<b>820 764</b>
as a percentage of GNI	1,06%	1,06%	0,95%	1,01%	0,97%	0,98%	0,95%	1,00%
Margin available	0,18%	0,18%	0,29%	0,22%	0,26%	0,25%	0,28%	0,23%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,23%	1,23%	1,23%	1,23%	1,23%

(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.

**TABLE 2: FINANCIAL FRAMEWORK 2007-2013 ADJUSTED FOR 2011 AND POINT 17***(EUR million - current prices)*

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
<b>1. Sustainable Growth</b>	<b>53 979</b>	<b>57 653</b>	<b>61 696</b>	<b>63 555</b>	<b>63 974</b>	<b>66 964</b>	<b>69 957</b>	<b>437 778</b>
1a Competitiveness for Growth and Employment	8 918	10 386	13 269	14 167	12 987	14 203	15 433	89 363
1b Cohesion for Growth and Employment	45 061	47 267	48 427	49 388	50 987	52 761	54 524	348 415
<b>2. Preservation and Management of Natural Resources</b>	<b>55 143</b>	<b>59 193</b>	<b>56 333</b>	<b>59 955</b>	<b>60 338</b>	<b>60 810</b>	<b>61 289</b>	<b>413 061</b>
of which: market related expenditure and direct payments	45 759	46 217	46 679	47 146	47 617	48 093	48 574	330 085
<b>3. Citizenship, freedom, security and justice</b>	<b>1 273</b>	<b>1 362</b>	<b>1 518</b>	<b>1 693</b>	<b>1 889</b>	<b>2 105</b>	<b>2 376</b>	<b>12 216</b>
3a Freedom, Security and Justice	637	747	867	1 025	1 206	1 406	1 661	7 549
3b Citizenship	636	615	651	668	683	699	715	4 667
<b>4. EU as a global player</b>	<b>6 578</b>	<b>7 002</b>	<b>7 440</b>	<b>7 893</b>	<b>8 430</b>	<b>8 997</b>	<b>9 595</b>	<b>55 935</b>
<b>5. Administration <sup>(1)</sup></b>	<b>7 039</b>	<b>7 380</b>	<b>7 525</b>	<b>7 882</b>	<b>8 334</b>	<b>8 670</b>	<b>9 095</b>	<b>55 925</b>
<b>6. Compensations</b>	<b>445</b>	<b>207</b>	<b>210</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>862</b>
<b>TOTAL COMMITMENT APPROPRIATIONS</b>	<b>124 457</b>	<b>132 797</b>	<b>134 722</b>	<b>140 978</b>	<b>142 965</b>	<b>147 546</b>	<b>152 312</b>	<b>975 777</b>
as a percentage of GNI	1,02%	1,08%	1,16%	1,18%	1,16%	1,15%	1,14%	1,13%
<b>TOTAL PAYMENT APPROPRIATIONS</b>	<b>122 190</b>	<b>129 681</b>	<b>120 445</b>	<b>134 289</b>	<b>134 280</b>	<b>141 360</b>	<b>143 331</b>	<b>925 576</b>
as a percentage of GNI	1,00%	1,05%	1,04%	1,12%	1,09%	1,10%	1,07%	1,07%
Margin available	0,24%	0,19%	0,20%	0,11%	0,14%	0,13%	0,16%	0,16%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,23%	1,23%	1,23%	1,23%	1,23%

(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.

**TABLE 3: INDICATIVE PROGRAMME OF EXPENDITURE NOT ENTERED IN THE GENERAL BUDGET  
AND PROSPECTIVE TREND IN THE VARIOUS OWN RESOURCES**

**INDICATIVE PROGRAMME OF EXPENDITURE NOT ENTERED IN THE GENERAL BUDGET  
AND PROSPECTIVE TREND IN THE VARIOUS OWN RESOURCES**

**TABLE 3.1 : EUROPEAN DEVELOPMENT FUND**

Commitments (C) and Payments (P)  
EUR million - current prices

2000		2001		2002		2003		2004		2005	
C	P	C	P	C	P	C	P	C	P	C	P
4 007	1 640	1 927	1 779	2 125	1 922	3 769	2 345	2 648	2 464	3 511	2 544

  

2006		2007		2008		2009		2010		2011	
C	P	C	P	C	P	C	P	C	P	C	P
3 408	2 826	3 636	2 929	2 900	3 280	3 502	3 123	3 704	3 601	3 750	4 000

The series relate to the measures managed by the Commission. Measures managed by the European Investment Bank are not included.  
The amounts for 2001 to 2004 have been amended to take account of the impact of the regularisation of certain payments made on the Stabex instrument.

**TABLE 3.2 : OWN RESOURCES BY CATEGORY**

% of total	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Traditional own resources (TOR)	17%	18%	12%	13%	13%	14%	15%	15%	16%	13%	12%
VAT	40%	39%	29%	26%	15%	16%	17%	18%	17%	12%	11%
GNP/GNI	43%	43%	59%	61%	72%	70%	69%	67%	67%	74%	77%

2000-2008: outturns (including the retroactive adjustment in 2002 of 15% of the amounts retained in 2001 as TOR collection costs)

2009: Amending Budget 10/2009 & 2010: Adopted Budget 2010.