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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)

Amended 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 projects in the field of energy in the context of the European Economic Recovery Plan (amended proposal)

In its proposal of 10 December 2008 concerning the revision of the financial framework for "Financing trans-European energy interconnections and broadband infrastructure projects in the context of the European Economic Recovery Plan"¹, the Commission proposed to increase the financial framework's 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 was to be offset by decreasing the annual ceilings for commitment appropriations under heading 2 by EUR 3 500 million for 2008 and by EUR 1 500 million for 2009, in accordance with point 23, second paragraph, of the Interinstitutional Agreement on budgetary discipline and sound financial management of 17 May 2006 (IIA)².

In the light of first discussions of the above proposal with the budgetary authority, the Commission submitted a package of proposals on 28 January 2009 with a view to establishing the legal basis for the investments concerned³. These proposals implied a first adjustment of the Commission's proposal for revision of the MFF. The amount of the increase of the ceilings for heading 1A for financing projects in the field of energy would be limited to EUR 3 500 million. And EUR 1 500 million would be made available within heading 2 for developing broadband internet in rural areas and strengthening operations related to the "new challenges" defined in the context of the assessment of the 2003 mid-term reform of the Common Agricultural Policy ("Health Check") and be implemented by the European Agricultural Fund for Rural Development.

Following further discussions the European Parliament, the Council and the Commission have agreed at the trilogue meeting of 2 April 2009 to finance the package as follows⁴:

- (1) The package, which aims at providing additional stimulus to the economy and improving energy security, amounts to EUR 5 000 million in current prices:

¹ COM(2008) 859 final/2.

² OJ C 139, 14.6.2006, p. 1.

³ Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Investing today in tomorrow's Europe, COM(2009) 36 final.- Proposal for a Regulation of the European Parliament and of the Council establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy: COM(2009) 35 final.- Proposal for a Council Regulation amending Regulation (EC) 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), and the proposal for a Council Decision amending Decision 2006/493/EC laying down the amount of Community support for rural development for the period from 1 January 2007 to 31 December 2013, its annual breakdown and the minimum amount to be concentrated in regions eligible under the Convergence Objective: COM(2009) 38 final.

⁴ The agreement takes the form of a Declaration attached to the Interinstitutional Agreement on budgetary discipline and sound financial management. The projects eligible for Community support are identified in the legislative acts concerned.

- (a) EUR 3 980 million will be made available for the financing of energy projects under heading 1A of the financial framework: EUR 2 000 million in 2009 and EUR 1 980 million in 2010.
 - (b) In addition, EUR 1 020 million will be made available within heading 2 for developing broadband internet in rural areas and strengthening operations related to the "new challenges" defined in the context of the Health Check.
- (2) The financing of the total amount of EUR 5 000 million will be secured as soon as possible:
- (a) The 2009 ceiling of heading 1 A will be increased by an amount of EUR 2 000 million, which will be offset by a decrease of the 2009 ceiling of heading 2 by the same amount in accordance with points 21 to 23 of the IIA. In addition, EUR 600 million will be added to rural development in the 2009 budget for financing broadband internet and strengthening operations related to the "new challenges". The multiannual framework will be revised and at the same time the 2009 budget amended accordingly on the basis of the present amended Commission proposal and a Preliminary Draft Amending Budget to the 2009 budget.
 - (b) The financing of the remaining amount (EUR 2 400 million) will be secured through a compensation mechanism at the conciliation of the 2010 budgetary procedure by using all budgetary means foreseen in its legal framework, to be completed, if needed, at the latest at the conciliation of the 2011 budgetary procedure:
 - The European Parliament, the Council and the Commission will examine all available sources that could provide for the compensation of funds.
 - Before the use of the available amount within Heading 2 is considered, EUR 420 million will be committed for financing broadband internet and strengthening operations related to the "new challenges" defined in the context of the Health Check in 2010.
 - In order to compensate for the amount of EUR 1 980 million, the remaining margins under the 2009 ceilings and the 2010 available margins (with due respect to point 13 of the Interinstitutional Agreement) and, if necessary, all other financial availabilities will be used, including the 2011 available margins. The compensation mechanism will be without prejudice to the financial envelopes of the co-decided programmes and the annual budgetary procedure.
- (3) The overall ceiling of the 2007-2013 financial framework will not be exceeded.

The present amended proposal covers the revision of the 2007-2013 financial framework foreseen as part of the first step of the above financing agreement between the three institutions.

The current margin of heading 2 for the year 2009 amounts to EUR 3 517 million. Taking into account the EUR 600 million proposed to be used within heading 2 for broadband infrastructure and the "new challenges" under the Health check, coupled with the envisaged reduction of the ceiling of EUR 2 000 million, this leaves a margin of more than EUR 900 million available under the ceiling for heading 2 in 2009. This is considered as sufficient for coping with unexpected events in the agriculture sector. In any case, the Commission has

undertaken 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.

In terms of payments appropriations, point 23, fourth paragraph, of the IIA requires that any revision must maintain an appropriate relationship between commitments and payments. The annual ceilings for payment appropriations need to be modified on the basis of the payment profiles foreseen for the additional commitments under heading 1A and the reduction of payments corresponding to the reduction of commitment appropriations for heading 2 in 2009 (EUR 2 000 million).

No increase of the payment ceilings is foreseen with regard to the EUR 1 020 million for developing broadband internet in rural areas and strengthening operations related to the Health Check's "new challenges".

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

Commitment appropriations (EUR million)	2007	2008	2009	2010	2011	2012	2013	2007-2013
1a. Competitiveness for Growth and Employment			2.000	0				2.000
2. Preservation and Management of Natural Resources		0	-2.000	0				-2.000
Total change in commitment appropriations	0	0	0	0	0	0	0	0
Total change in payment appropriations		0	-1.924	650	430	569	275	0

Overall, the revision shall be neutral in terms of the global ceilings for commitment and payment appropriations expressed in current prices.

The above changes result in the below financial framework table in current prices, which incorporates the technical adjustment of the financial framework for 2010 in line with movements in GNI made in accordance with Point 16 of the IIA⁵.

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.

⁵ Communication from the Commission to the European Parliament and the Council on the technical adjustment of the financial framework for 2010 in line with movements in GNI, COM(2009) 148 final of 1.4.2009.

FINANCIAL FRAMEWORK 2007-2013 REVISED FOR EUROPEAN ECONOMIC RECOVERY PLAN (CURRENT PRICES)

(EUR million - current prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	53.979	57.653	61.700	61.782	63.638	66.628	69.621	435.001
1a Competitiveness for Growth and Employment	8.918	10.386	13.272	12.388	12.987	14.203	15.433	87.587
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	59.193	57.639	60.113	60.338	60.810	61.289	414.525
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	132.797	136.211	139.489	142.629	147.210	151.976	974.769
as a percentage of GNI	1,02%	1,08%	1,15%	1,15%	1,13%	1,12%	1,11%	1,11%
TOTAL PAYMENT APPROPRIATIONS	122.190	129.681	121.934	134.155	133.882	140.769	142.683	925.294
as a percentage of GNI	1,00%	1,05%	1,03%	1,10%	1,06%	1,07%	1,04%	1,05%
Margin available	0,24%	0,19%	0,21%	0,14%	0,18%	0,17%	0,20%	0,19%
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.

Amended 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

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Interinstitutional Agreement between the European Parliament, the Council and the Commission of 17 May 2006 on budgetary discipline and sound financial management⁶, and in particular to Points 21, 22, first and second subparagraphs, and 23 thereof,

Having regard to the proposal from the Commission⁷,

Whereas:

- (1) At the trilogue meeting of 2 April 2009 the European Parliament, the Council and the Commission have agreed on the financing, in the framework of the European Economic Recovery Plan for modernisation of infrastructures and energy solidarity, of projects in the field of energy and broadband internet, as well as for strengthening operations related to the "new challenges" defined in the context of the assessment of the 2003 mid-term reform of the Common Agricultural Policy ("Health Check")⁸. The financing requires, as a first step, a revision of the multiannual financial framework 2007-2013 in accordance with Points 21, 22, and 23 of the Interinstitutional Agreement, so as to raise the ceiling for the year 2009 for commitment appropriations under sub-Heading 1A by an amount of EUR 2 000 million in current prices.
- (2) The increase of the ceiling for sub-Heading 1 A will be fully offset by decreasing the ceiling for commitment appropriations under heading 2 for the year 2009 by EUR 2 000 million.
- (3) In order to keep an appropriate relationship between commitments and payments, the annual ceilings for payment appropriations will be adjusted. The adjustment will be neutral.
- (4) Annex I of the Interinstitutional Agreement on budgetary discipline and sound financial management should therefore be amended accordingly⁹,

HAVE DECIDED AS FOLLOWS:

⁶ OJ C 139, 14.6.2006, p. 1.

⁷ COM(2008) 859 final/2, as amended by COM(2009) ... final.

⁸ COM(2008) 800.

⁹ For that purpose, the figures resulting from the above agreement are converted into 2004 prices.

Sole Article

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

Done at Brussels,

*For the European Parliament
The President*

*For the Council
The President*

FINANCIAL FRAMEWORK 2007-2013 REVISED FOR EUROPEAN ECONOMIC RECOVERY PLAN (CONSTANT 2004 PRICES)

(EUR million - constant 2004 prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	50.865	53.262	55.883	54.860	55.400	56.866	58.256	385.392
1a Competitiveness for Growth and Employment	8.404	9.595	12.021	11.000	11.306	12.122	12.914	77.362
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	54.685	52.205	53.379	52.528	51.901	51.284	367.944
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	122.683	123.370	123.862	124.167	125.643	127.167	864.169
as a percentage of GNI	1,08%	1,09%	1,07%	1,05%	1,03%	1,02%	1,01%	1,048%
TOTAL PAYMENT APPROPRIATIONS	115.142	119.805	110.439	119.126	116.552	120.145	119.391	820.600
as a percentage of GNI	1,06%	1,06%	0,96%	1,01%	0,97%	0,98%	0,95%	1,00%
Margin available	0,18%	0,18%	0,28%	0,23%	0,27%	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.