Revision of the multiannual financial framework 2007-2013 (amend. Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management)

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PURPOSE: to revise the multiannual financial framework (2007-2013) to allow for additional financing for Galileo and the European Institute of Technology.

PROPOSED ACT: 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.

CONTENT: this proposal aims to revise the multiannual 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 (see ACI/2004/2099).

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:

- 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 institutions will examine the scope for offsetting any raising of the ceiling for one heading by the lowering of the ceiling for another;
- any revision of the compulsory expenditure in the financial framework must not lead to a reduction in the amount available for non-compulsory expenditure;
- any revision must maintain an appropriate relationship between commitments and payments.

This proposed Decision examines the following issues:

Additional financing needs for Galileo and the European Institute of Technology (EIT):

- **Galileo: EUR 2 400 million;**
- **EIT: EUR 309 million.**

Galileo: further to the financial framework agreed between the institutions, an amount of EUR 1.005 billion at current prices has been programmed under heading 1A "Competitiveness for growth and employment" according to the Commission's proposal for the financing of the deployment and operational phases of the Galileo programme during the period from 2007 to 2013 (COD/2004/0156). That proposal

was based on the initial road map, which foresaw three phases: (i) development and in-orbit validation; (ii) deployment; (iii) operations. The development phase was to be entirely financed by the public sector, whereas the deployment and operational phases were to be financed by both the public and the private sectors in the framework of a public-private-partnership (PPP) and implemented under a concession contract. The concession call was launched on 17 October 2003 and resulted in a single negotiating partner, "Euro-GNSS", stemming from a merged consortium composed of 8 partners. The negotiations effectively started in January 2006, following internal industrial disagreement and a mediation with regard to the division of role and responsibilities (and locations of major ground installations of the system). However, the negotiations on the concession contract came to a stop at the beginning of 2007. The Council (Transport Ministers) which met on 22 March 2007 asked the Commission a detailed report setting out the progress made in the negotiations with the consortium and alternative scenarios for the rapid deployment of the space infrastructure, including financing aspects. The European Parliament called also on the Commission to come forward with appropriate proposals.

In parallel, the European Parliament adopted a resolution on 20 June 2007 (RSP/2007/2584) recalling its strong support to continue the Galileo programme, but opposing any solution which would combine Community funding with intergovernmental additional funding. The resolution called for a full financing of the programme under the Community Budget and invited the Commission to take the initiative of proposing a revision of the financial framework.

After having examined the various financing options, the Commission proposes that the additional financing for Galileo requires the mobilisation of additional EUR 2.4 billion under Heading IA.

Funding the European Institute of Technology (EIT): on 18 October 2006, the Commission presented a proposal for a Regulation establishing the European Institute of Technology (EIT) (see COD/2006/0197) with a specific Community budget contribution of EUR 308.7 million to finance the governing structure of the EIT and the coordination activities of the "Knowledge and Innovation Communities". No specific provision was made for the EIT in the course of the negotiations on the financial framework 2007-2013. The Commission considered that the unallocated margins beneath the ceilings of heading 1A could be sufficient to finance the launching of the EIT. Thus, the proposed amount of EUR 308.7 million was included in the financial programming of heading 1A, leaving a margin of EUR 788.2 million over the 2008-2013 period. However, no agreement was reached by Council and the European Parliament, neither on the proposed source of financing nor on alternative financing solutions discussed at various trilogue meetings. The Commission thus sees no alternative to proposing to cover the financing needs for the EIT through an increase of the ceiling of heading 1A by means of a revision of the financial framework.

Revised amounts of the financial perspectives: in accordance IIA, the Commission has analysed the possibilities to mobilise the additional financing needs of EUR 2 400 million for Galileo and EUR 309 million for the EIT (that is EUR 2 709 million in total) under the current ceiling of heading 1A. 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. As regards possible under-utilisation with respect to appropriations, it is unrealistic to make any assumptions at this very early stage of the programming period. However, the Commission proposes that EUR 300 million be made available within the transport related research activities financed under the 7th Research Framework Programme.

Heading 1A : the required increase of the global ceiling of heading 1A can be offset by a decrease of the ceilings for heading 2 "Preservation and Management of Natural Resources" and heading 5 "Administration" for the years 2007 and 2008. The current 2007 Budget and the Preliminary Draft Budget (PDB) for 2008 result in substantial margins being available under heading 2, respectively EUR 2.1 billion in 2007 and EUR 2.5 billion in 2008.

Consequently, the Commission proposes to decrease the annual ceilings for commitment appropriations under heading 2 by EUR 1 689 million for 2007 and by EUR 500 million for 2008.

In addition, the Commission proposes to decrease the ceilings of Heading 5 "Administration" by EUR 120 million in 2007 and by EUR 100 million in 2008, which to-date leaves a margin of EUR 16 million in 2007 and of EUR 70 million in 2008.

In conclusion, **the Commission thus proposes to increase the annual ceilings of heading 1 A for the years 2008 to 2013 by a total amount of EUR 2 409 million to be offset by a decrease of the ceilings of headings 2 and 5 for the years 2007 and 2008**.

In order to keep an appropriate relationship between commitments and payments, the annual ceilings for payment appropriations should be adjusted taking into account the margins available in 2007 and 2008.