

Interinstitutional agreement on budgetary discipline and sound financial management for the period 2007-2013

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PURPOSE: to present the technical adjustment of the financial framework for 2008.

CONTENT: the Interinstitutional Agreement (IIA) of 17 May 2006 on budgetary discipline and sound financial management contains the financial framework table for EU-27 for the period 2007-2013, expressed in 2004 prices.

Point 16 of the Interinstitutional Agreement states that **each year** the Commission will, ahead of the budgetary procedure for year n+1, make a technical adjustment to the financial framework in line with movements in the EU's gross national income (GNI) and prices. Movements in GNI have been updated with the latest economic forecasts available.

As far as prices are concerned, the IIA (point 16) now foresees a fixed 2 % deflator for all expenditure, which was already applied for the technical adjustment for 2007. Thus no modification on prices is made in the present adjustment, since expenditure ceilings at current prices for the whole period 2007-2013 are already available since last year.

The purpose of this communication is to present to the budgetary authority the result of the technical adjustment (EU-27) for 2008.

According to the latest forecast available, the **GNI for 2008** is established at EUR 12.454 billion in current prices for EU-27 (and at EUR 11.941 billion for 2007). For subsequent years (2009-2013) 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 main results of the technical adjustment of the Financial Framework for 2008 (EU-27):

- the overall ceiling on commitment appropriations for 2008 (EUR 131.487 million) equals **1.06 %** of GNI.
- the corresponding overall ceiling concerning the payment appropriations (EUR 129.481 million) equals **1.04 %** of GNI.

On the basis of the latest economic forecasts, this leaves a margin beneath the 1.24 % own resources ceiling of **EUR 24.949 million** (0.20 % of GNI for EU-27).

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 77.3 million at 2008 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 2008 the amount to be deducted is **EUR 77.3 million** at current prices.

It should be noted that 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 239.2 million in 2008 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 2005, 2006 and 2007, which may be carried over to year 2008.

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). For the year 2008 the conditions are met to enter the EUR 500 million provision in the budget.