Adaptation of the financial framework to the conditions of implementation and technical adjustment for 2009 in line with movements in GNI

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PURPOSE: to adapt the 2007-2013 financial framework to the conditions of implementation and technical adjustment for 2009 in line with movements in GNI.

PROPOSED ACT: Decision of the European Parliament and of the Council (Interinstitutional Agreement).

CONTEXT: under the terms of points 18 and 48 of the Interinstitutional Agreement (IIA) of 17 May 2006, the Commission is required to present, to the two arms of the budgetary authority, proposals for adjustments to the financial framework considered necessary in the light of implementation.

This procedure involves:

1. the adjustment of total payment appropriations to ensure, in the light of requirements, an orderly progression in relation to the commitment appropriations (point 18);
2. in the event of the adoption, after 1 January 2007, of new rules or programmes governing the Structural Funds, the Cohesion Fund, Rural Development and the European Fund for Fisheries, the two arms of the budgetary authority have undertaken to authorise the transfer to subsequent years, in excess of the corresponding ceilings on expenditure, of allocations not used in 2007 (point 48).

The Commission's examination of implementation in 2007 from these two angles prompts it to present the following proposal for the adjustment of the financial framework in respect of point 48 to the budgetary authority.

In parallel, the proposal is in line with point 16 of the Interinstitutional Agreement which states that each year the Commission makes a technical adjustment to the financial framework in line with movements in the EU's gross national income (GNI) and prices.

CONTENT: the proposal for an interinstitutional agreement takes the form of a general table of figures for each of the various headings of the 2009-2013 financial perspectives revised in the light of the Commission’s analysis. This analysis is based on the following:

1) Adjustment of Structural Funds, Cohesion Fund, Rural Development Fund and the European Fund for Fisheries in the light of the circumstances of their implementation: by applying Point 48 of the IIA, the Commission proposes the transfer to subsequent years, in excess of the corresponding ceilings on expenditure, of allocations not used in 2007. The transfer is applicable to programmes funded by the Structural Funds (the European Regional Development Fund and the European Social Fund) and the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Fisheries Fund. It also applies to the European Regional Development Fund’s contribution to the cross-border and sea-basin programmes under the European Neighbourhood and Partnership Instrument (ENPI) and to the Cross- Border Programmes of the Instrument for Pre-Accession (IPA).

Transfer of commitment appropriations from 2007 to future years: commitment appropriations totalling **EUR 2 034 million** lapsed in 2007, i.e. they were not implemented in 2007 and were not carried forward to 2008. This corresponds to the 2007 envelopes related to 45 Operational Programmes that could not be adopted in 2007, mainly due to delays in the submission to the Commission. This amount will be reprogrammed over the duration of the financial perspectives under heading 1B.

The reprogramming under heading 1B has no significant impact on the expected profile of payments throughout the period. For the Rural Development programmes (heading 2) the reprogramming increases the expected payments in 2008 by EUR 1 014 million, an amount that had originally been foreseen for 2007. **The impact for the years 2009-2013 will only be marginal**.

In view of the fact that the 2008 budget leaves a sufficient margin below the financial framework ceiling, the Commission **does not consider it necessary to propose an adjustment of the ceilings for payment appropriations for 2008** as a result of the proposed reprogramming under point 48 of the IIA.

Technically, **it is only proposed to transfer EUR 772 million in commitment appropriations to 2008** in the framework of the procedure provided for under Point 48 of the IIA, **EUR 378 million of which in the sub-heading 1b** and **EUR 393.6 million in heading 2** (see BUD/2008/2080). There is, however, no financial impact on payment appropriations.

The following table shows the reprogrammed amounts following the transfer of the abovementioned appropriations.

PROPOSED REPROGRAMMING FOR HEADINGS 1B AND 2 OF THE FINANCIAL PERSPECTIVES FOLLOWING THE TRANSFER OF 2007 APPROPRIATIONS (in euros at current prices - commitments)

Heading 1b

- 2008 : EUR 378 007 275
- 2009 : EUR 0
- 2010 : EUR 0
- 2011 : EUR 23 789 685
- 2012 : EUR 23 789 686
- 2013 : EUR 0

Heading 2

- 2008 : EUR 393 592 042
- 2009 : EUR 387 183 354
- 2010 : EUR 387 189 346
- 2011 : EUR 146 825 262
- 2012 : EUR 146 825 262
- 2013 : EUR 146 825 260

2)maintaining an orderly progression between payment appropriations and commitment appropriations: point 18 of the Interinstitutional Agreement obliges the Commission to check the global ceiling for payment appropriations, which was established when the financial framework was drawn up, against the budget execution for 2007 and the budget for 2008 and to make any adjustments that are needed. The profile of the global payment appropriations shows a peak in the year 2008, followed by a dip in the year 2009. The peak in 2008 was largely due to the envisaged concentration of payments associated with the overlap between the final phase of the 2000-2006 programming period and the start-up phase of

the 2007-2013 period for structural actions. Payments were expected to decrease substantially in 2009 due to the phasing out of reimbursements on the 2000-2006 programmes, more than offsetting the increase in reimbursements related to the phasing in of the 2007-2013 programmes.

The current assessment of payment appropriations needs **does not show a need to adjust the existing ceiling of payments for 2009**. According to the latest estimates for structural operations made by the regional policy services, payment requirements are fully compatible with the existing payment ceiling. As a consequence, the Commission does now not see any need to present a proposal to adjust the ceiling for payment appropriations for the year 2009. Of course, it will continue to carefully monitor the evolution of the situation and it will fine-tune its estimates of payments in the 2009 preliminary draft budget for structural operations and for all other headings, in line with actual needs, budget discipline principles and the need to keep a sufficient margin for unforeseen events.

3) technical adjustment of the financial framework for 2009 in line with movements of GNI: point 16 of the Interinstitutional Agreement states that **each year** the Commission will make a technical adjustment to the financial framework in line with movements in the EU's gross national income (GNI) and prices. As far as prices are concerned, expenditure ceilings at current prices are established using the fixed 2% deflator. As far as movements in GNI are concerned, the present proposal includes the latest economic forecasts available.

Total figure for GNI: according to the latest forecasts available, the GNI for 2009 is estimated at EUR 13 129 billion in current prices for EU-27 (compared to EUR12 547 billion for 2008).

For subsequent years (2010-2013) 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.

Main results of the technical adjustment of the Financial Framework for 2009 (EU-27):

- the overall ceiling on commitment appropriations for 2009 (EUR 136 211 million) equals **1.04 %** of GNI;
- the corresponding overall ceiling concerning the payment appropriations (EUR 123 858 million) equals **0.94 %** of GNI.

On the basis of the latest economic forecasts, this leaves a margin beneath the 1.24 % own resources ceiling of **EUR 38 941 million** (i.e. 0.30 % 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 constant 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 constant prices, i.e. a yearly average of EUR 71.4 million.

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 2009, the amount to be deducted is **EUR 78 million** at current prices.

Expenditure 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 to provide a

rapid response to exceptional or unforeseen events, and provide some flexibility beyond the agreed expenditure ceilings, within certain limits:

1. the Emergency Aid reserve, which can be mobilised up to a maximum amount of EUR 221 million per year in 2004 constant prices, or **EUR 244 million in 2009** at current prices;
2. the EU Solidarity Fund, whose maximum annual amount in current prices is EUR 1 billion;
3. the Flexibility Instrument, with a maximum annual amount in current prices of EUR 200 million, plus the portion of the unused annual amounts from 2007 and 2008, which may be carried over to year 2009.

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 2009, the conditions are met to enter the EUR 500 million provision in the budget.

It should be noted that the Commission presents the information relating to operations not included in the general budget and outside own resources in a table, in accordance with the fourth subparagraph of point 11 of the Interinstitutional Agreement. This table also covers the foreseeable development of the various categories of own resources updated in line with the latest estimates available. It covers the European Development Fund (EDF) and the structure of own resources.

FINANCIAL FRAMEWORK – FINANCIAL PERSPECTIVES (2009-2013 in commitment appropriations – 2004 constant prices)

- 2009 : EUR 123.370 billion
- 2010 : EUR 123.862 billion
- 2011 : EUR 124.167 billion
- 2012 : EUR 125.643 billion
- 2013 : EUR 127.167 billion

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FINANCIAL FRAMEWORK – FINANCIAL PERSPECTIVES (2009-2013 in commitment appropriations – adjusted for 2009 at current prices)

- 2009: EUR 136.211 billion
- 2010 : EUR 139.489 billion
- 2011: EUR 142.629 billion
- 2012: EUR 147.210 billion
- 2013: EUR 151.976 billion