2007 discharge: EU general budget, Section III, Commission

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PURPOSE: to present the revenue and expenditure account and the balance sheet relating to the 2007 budget (Section III – Commission).

CONTENT: this document presents a political and detailed analysis of the use of payment appropriations by the Commission in 2007. The main information presented in this summary is extracted from the EU Budget 2007 Financial Report.

Main changes in 2007: the 2007 budget inaugurated important changes at European Union level: i) a new multiannual financial framework (MAFF), which will cover the period up to 2013, ii) the implementation of a new generation of EU programmes, iii) changes to the financing system of the EU budget, iv) a series of relevant reforms aimed at making the EU spending more transparent, effective and accessible and, last but not least, v) the enlargement to two new members, namely Bulgaria and Romania, who joined the EU family on 1 January 2007.

- **The new 2007–13 financial framework**: sustainable growth and employment are the Union's key priorities. In 2007, expenditure on sustainable growth amounted to EUR 53.7 billion in commitment appropriations (CA), which represents an increase of 13.2 % on 2006;
- **More money for sustainable growth**: key programmes such as competitiveness and innovation (CIP), trans-European networks (TENs) for transport and energy, lifelong learning, and the framework programme for research and technological development implemented the goals of the Lisbon strategy with increased financial resources (see below). Internal flexibility of the EU financial framework enabled an adaptation and shift in funds between policy headings, which helped secure the future of the European satellite navigation system (Galileo) and the brand new European Institute of Technology (EIT). Alongside the normal programmes in the financial framework, a number of tools have been foreseen to reinforce the leverage effect of the EU budget: i) the European Globalisation Adjustment Fund (EGF) with a total budget of up to EUR 3 500 million (and an annual ceiling of up to EUR 500 million); ii) the European Union Solidarity Fund offers rapid financial assistance in the event of major disasters in a Member State or a candidate country with an annual ceiling of up to EUR 1 000 million; iii) the Flexibility Instrument, with a budget of up to EUR 1 400 million (and an annual ceiling of up to EUR 200 million);
- **New funds, better rules**: new funds require better rules to measure up to real life situations. The new provisions of the financial regulation, which entered into force in May 2007, aim at simplifying procedures and reducing red tape. EU grants have become easier to access, in particular for beneficiaries with limited resources such as small non-governmental organisations (NGOs) and SMEs. For the first time ever, EU research grants have become available for individual researchers. Thanks to the new rules, Member States for the first time submitted in February 2008 summaries of the audits of EU funds undertaken by them in 2007. The publication of the list of beneficiaries who received EU money became compulsory. Member States must exchange information with the Commission on proven fraud cases. Such measures have increased the effectiveness of EU policies and helped protect taxpayers' interests.
- **Focusing European Union spending on new challenges**: the budget implemented in 2007 has been structured around six headings representing a budget of EUR 121.3 billion.

Heading 1 - Sustainable growth with an amount of EUR 53.7 billion, this heading includes:

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Heading 1a. Competitiveness for growth and employment with a budget of EUR 8.8 billion in commitments (+12.9% compared to 2006). Competitiveness is the key strategic objective of the renewed Lisbon strategy on growth and jobs. The main expenditure area is research and development (R & D), followed by transport and energy networks (TENs), lifelong learning, and competitiveness and innovation (CIP);
- Heading 1b. Cohesion for growth and employment with a budget of EUR 44.9 billion (+ 13.2 % compared to 2006) aims to strengthen economic, social and territorial cohesion by reducing disparities in the level of development among regions and Member States. This means investing in regions' potential to promote competitiveness and improve convergence to the best standard. This heading is structured around 3 main objectives and supported by 3 funds;

Heading 2 - Preservation and management of natural resources with EUR 52.6 billion in commitments (-5% compared to 2006). This heading concentrates on the common agricultural policy and support to the EU's fishermen and efforts to preserve the environment.

Heading 3 - Citizenship, freedom, security and justice with EUR 1.4 billion in commitments. This heading comprises the 2 following sub-headings:

- Heading 3a. Freedom, security and justice with EUR 567.2 million (+ 6.9 % compared to 2006): the main policies of this heading focus on the development of a common asylum area, cooperation between law enforcement agencies and judicial authorities to prevent and fight terrorism and crime, respect for fundamental rights, and a global approach to drug issues;
- Heading 3b. Citizenship with EUR 801.1 million (+ 2.1 % on 2006): the objectives of this heading aim to improve active citizenship, fostering European culture, identity and diversity, as well as to promote health, consumer and civil protection.

Heading 4 - the European Union as a global player with EUR 6.5 billion (– 21.5% compared to 2006): the EU's paramount objectives in foreign policy are stability, security and neighbourhood's prosperity.

Heading 5 - Administration: this heading Administration covers the expenditure of all EU institutions (EUR 6.7 billion, representing 5.6% of the EU budget).

Heading 6 - Compensation: this heading represents slightly more than EUR 400 million and is a temporary measure ensuring that new Member States retain a positive budgetary balance during the first years of accession. Compensations of respectively EUR 129.3 million and EUR 315.4 million were paid to Bulgaria and Romania in 2007.

A budget directly implemented in the Member States: most of the 2007 funds - over 92%, or EUR 105 billion of the EUR 114 billion – were spent on the ground in the EU's 27 Member States with the four biggest recipients taking almost half of the total budget. France held on to its position of overall top recipient, with EUR 13.9 billion, followed by Spain (EUR 12.8 billion), Germany (EUR 12.5 billion) and Italy (EUR 11.3 billion). The EU-12 made steady ground with their share of spending growing from 12.9% in 2006 to 17% in 2007 – five and a half billion more. Poland benefited most, receiving EUR 7.8 billion (7.4%).

The division of payments for agriculture and cohesion show a similar picture to 2006. For farming and rural development, France stayed in first place, taking more than EUR 10 billion - nearly 20% of agricultural spending. Spain followed with EUR 7 billion (12.9%) then Germany with EUR 7 billion (12.8%). Italy and the UK were next in line with EUR 6 billion (11%) and 4.2 billion (7.9%) respectively. Of the EU-12, Poland received the biggest share, EUR 3.1 billion (5.8%). As in 2006, the top cohesion policy beneficiary was Spain, taking EUR 5.4 billion or 14.7%. Greece moved up to second place with EUR 4.6 billion (12.4%), followed by Italy and Germany. Poland also moved up the cohesion policy ladder, ahead of Portugal, France and the UK.

However, 2007 also saw **EUR 227 million lost in unspent funds** from the previous programming period (2000-2006). Under the n+2 rule, Member States lose committed money that is not claimed as a payment within two years. The highest 2007 loss was EUR 66 million for Germany, but the largest share lost was in Luxembourg: EUR 3.5 million - nearly a quarter of their funding - and the Netherlands which lost EUR 19.9 million, over 4% of its total funding. The only EU-12 losers were Slovenia (EUR 0.2 million) and Slovakia (EUR 1.4 million). From the EU-15 only Ireland and Finland avoided any losses.