

Financial framework 2007-2013: European Economic Recovery Plan (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) in order to take account of the **European Economic Recovery Plan**.

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

BACKGROUND: this Communication contains a proposal for the revision of 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.

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. 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. A number of specific conditions need to be respected by the institutions.

The Commission proposed a [European Economic Recovery Plan](#) which aims at using and coordinating all tools at the disposal of the European Union and its Member States to respond to the looming recession of the European economy as a consequence of the financial crisis. The Plan foresees a co-ordinated fiscal stimulus of about EUR 200 billion, or 1.5% of GDP, with around EUR 170 billion provided by actions in the Member States' own budgets, and around EUR 30 billion as action at the level and within the budget of the European Union and from the European Investment Bank. A crisis of this scale of the global financial markets and economy would represent an unforeseen circumstance within the meaning of Point 21 of the IIA.

CONTENT: as part of the EU's contribution to this stimulus, the Plan proposes, *inter alia*, to improve energy interconnections and broadband infrastructure by mobilising a further **EUR 5 billion for the years 2009 and 2010**.

The Commission examined the scope for reallocating expenditure between the programmes covered by Heading 1, with particular reference to any expected under-utilisation of appropriations. 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. According to the latest financial programming, the margins available under the ceilings of heading 1 A for the years 2009 to 2013 amount to a total of EUR 684 million. The Commission concludes that the margins of heading 1A cannot be used to contribute to the financing of the additional activities foreseen in the European Economic Recovery Plan.

Changes to budget ceilings to finance the European Economic Recovery Plan: the Commission considers that EUR 5 billion can be made available to heading 1A "Competitiveness for Growth and Employment" by using the margins of heading 2 "Preservation and Management of Natural Resources". The margins available or foreseen for heading 2 are EUR 3.6 billion in 2008 and EUR 3.85 billion in 2009.

Consequently, **the Commission proposes to increase the annual ceilings for commitment appropriations under heading 1A by EUR 3 billion for 2009 and by EUR 2 billion for 2010.** This increase will be offset by a decrease of the annual ceilings for commitment appropriations under heading 2 by EUR 3.5 billion for 2008 and EUR 1.5 billion for 2009. This decision shall not prejudice the funding of required Common Agricultural Policy (CAP) expenditure. With this solution, the proposed revision remains **neutral in budget terms** as regards the **level of payments**.

The Commission proposes the following changes to the financial framework (commitments only):

Heading 1a – Competitiveness for growth and employment

- 2007 : EUR 0
- 2008 : EUR 0
- 2009 : + EUR 3 billion
- 2010 : + EUR 2 billion
- 2011 : EUR 0
- 2012 : EUR 0
- 2013 : EUR 0
- Total 2007-2013 : + EUR 5 billion

Heading 2 - Conservation and management of natural resource

- 2007 : EUR 0
- 2008 : - EUR 3.5 billion
- 2009 : - EUR 1.5 billion
- 2010 : EUR 0
- 2011 : EUR 0
- 2012 : EUR 0
- 2013 : EUR 0
- Total 2007-2013 : - EUR 5 billion

TOTAL change in commitment appropriations

- 2007 : EUR 0
- 2008 : - EUR 3.5 billion
- 2009 : + EUR 1.5 billion
- 2010 : + EUR 2 billion
- 2011 : EUR 0
- 2012 : EUR 0
- 2013 : EUR 0
- Total 2007-2013 : EUR 0

TOTAL change in payment appropriations

- 2007 : EUR 0
- 2008 : - EUR 3.5 billion
- 2009 : - EUR 1.110 billion

- 2010 : + EUR 1.070 billion
- 2011 : + EUR 1.590 billion
- 2012 : + EUR 1.450 billion
- 2013 : + EUR 500 million
- Total 2007-2013 : EUR 0

OVERVIEW OF THE PROPOSED REVISION OF THE FINANCIAL FRAMEWORK 2007-2013:

in accordance with the above-mentioned, the revised financial framework as proposed by the Commission following raising the ceiling of heading 1a of the financial perspectives (and the corresponding reduction of Heading 2) is presented below. 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:

- 2007 : EUR 117.277 billion (EUR 124.457 billion - 2009 prices)
- 2008 : EUR 119.450 billion (EUR 129.297 billion - 2009 prices)
- 2009 : EUR 124.729 billion (EUR 137.711 billion - 2009 prices)
- 2010 : EUR 125.638 billion (EUR 141.489 billion - 2009 prices)
- 2011 : EUR 124.167 billion (EUR 142.629 billion - 2009 prices)
- 2012 : EUR 125.643 billion (EUR 147.210 billion - 2009 prices)
- 2013 : EUR 127.167 billion (EUR 151.976 billion - 2009 prices)
- Total : EUR 864.071 billion (EUR 974.769 billion - 2009 prices)