

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 amend the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management as regards the multiannual financial framework.

PROPOSED ACT: Decision of the European Parliament and of the Council.

BACKGROUND: in its proposal of 10 December 2008 concerning the revision of the financial framework for "Financing trans-European energy interconnections and broadband infrastructure projects in the context of the European Economic Recovery Plan", the Commission proposed to increase the financial framework's annual ceilings for commitment appropriations under heading 1A by EUR 3 000 million for 2009 and by EUR 2 000 million for 2010. This increase was to be offset by decreasing the annual ceilings for commitment appropriations under heading 2 by EUR 3 500 million for 2008 and by EUR 1 500 million for 2009, in accordance with point 23, second paragraph, of the Interinstitutional Agreement on budgetary discipline and sound financial management of 17 May 2006 (IIA).

CONTENT: in the light of first discussions of the above proposal with the budgetary authority, the Commission submitted a package of proposals on 28 January 2009 with a view to establishing the legal basis for the investments concerned (see [CNS/2009/0011](#) and [COD/2009/0010](#)). These proposals implied a first adjustment of the Commission's proposal for revision of the MFF. The amount of the increase of the ceilings for heading 1A for financing projects in the field of energy would be limited to EUR 3 500 million. And EUR 1 500 million would be made available within heading 2 for developing broadband internet in rural areas and strengthening operations related to the "new challenges" defined in the context of the assessment of the 2003 mid-term reform of the Common Agricultural Policy ("Health Check") and be implemented by the European Agricultural Fund for Rural Development.

Following further discussions the European Parliament, the Council and the Commission have agreed at the trilogue meeting of 2 April 2009 to finance the package as follows:

1. The package, which aims at providing additional stimulus to the economy and improving energy security, amounts to EUR 5 000 million in current prices.
 - a) **EUR 3 980 million will be made available for the financing of energy projects** under heading 1A of the financial framework: EUR 2 000 million in 2009 and EUR 1 980 million in 2010;
 - b) in addition, **EUR 1 020 million** will be made available within heading 2 for developing **broadband internet in rural areas** and strengthening operations related to the "new challenges" defined in the context of the **Health Check**.
2. The financing of the total amount of EUR 5 000 million will be secured as soon as possible:

- a) the 2009 ceiling of heading 1 A will be increased by an amount of EUR 2 000 million, which will be offset by a decrease of the 2009 ceiling of heading 2 by the same amount in accordance with points 21 to 23 of the IIA. In addition, EUR 600 million will be added to rural development in the 2009 budget for financing broadband internet and strengthening operations related to the "new challenges". The multiannual framework will be revised and at the same time the 2009 budget amended accordingly on the basis of the present amended Commission proposal and a Preliminary Draft Amending Budget to the 2009 budget;
- b) the financing of the remaining amount (EUR 2 400 million) will be secured through a **compensation mechanism** at the conciliation of the 2010 budgetary procedure by using all budgetary means foreseen in its legal framework, to be completed, if needed, at the latest at the conciliation of the 2011 budgetary procedure:
- the European Parliament, the Council and the Commission will examine all available sources that could provide for the compensation of funds;
 - before the use of the available amount within Heading 2 is considered, EUR 420 million will be committed for financing broadband internet and strengthening operations related to the "new challenges" defined in the context of the Health Check in 2010;
 - in order to compensate for the amount of EUR 1 980 million, the remaining margins under the 2009 ceilings and the 2010 available margins (with due respect to point 13 of the Interinstitutional Agreement) and, if necessary, all other financial availabilities will be used, including the 2011 available margins. The compensation mechanism will be without prejudice to the financial envelopes of the co-decided programmes and the annual budgetary procedure.

The overall ceiling of the 2007-2013 financial framework will not be exceeded.

The present amended proposal covers the revision of the 2007-2013 financial framework foreseen as part of the first step of the above financing agreement between the three institutions.

The current margin of heading 2 for the year 2009 amounts to EUR 3 517 million. Taking into account the EUR 600 million proposed to be used within heading 2 for broadband infrastructure and the "new challenges" under the Health check, coupled with the envisaged reduction of the ceiling of EUR 2 000 million, this leaves a **margin of more than EUR 900 million available under the ceiling for heading 2 in 2009**. This is considered as sufficient for coping with unexpected events in the agriculture sector. In any case, the Commission has undertaken to take all appropriate measures to ensure that decisions taken on CAP expenditure and its financing, including the agreement on the Health Check, are respected.

In terms of **payments appropriations**, the annual ceilings for payment appropriations need to be modified on the basis of the payment profiles foreseen for the additional commitments under heading 1A and the reduction of payments corresponding to the reduction of commitment appropriations for heading 2 in 2009 (EUR 2 000 million).

No increase of the payment ceilings is foreseen with regard to the EUR 1 020 million for developing broadband internet in rural areas and strengthening operations related to the Health Check's "new challenges".

Revision of the financial framework: the Commission proposes the following changes to the ceilings for commitment and payment appropriations in the financial framework. Amounts **are expressed in current prices**:

Heading 1a – Competitiveness for growth and employment

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

Heading 2 - Conservation and management of natural resource

- 2007 : EUR 0
- 2008 : EUR 0
- 2009 : - EUR 2 billion
- 2010 : EUR 0
- 2011 : EUR 0
- 2012 : EUR 0
- 2013 : EUR 0
- Total 2007-2013 : - EUR 2 billion.

Total change in commitment appropriations 2007-2013 : EUR 0.

Total change in payment appropriations

- 2007 : EUR 0
- 2008 : EUR 0
- 2009 : - EUR 1.924 billion
- 2010 : + EUR 650 million
- 2011 : + EUR 430 million
- 2012 : + EUR 569 million
- 2013 : + EUR 275 million
- Total 2007-2013 : EUR 0.

Overall, the revision shall be neutral in terms of the global ceilings for commitment and payment appropriations expressed in current prices.