Financial framework 2007-2013: European Economic Recovery Plan, second revision

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PURPOSE: to revise the multiannual financial framework (2007-2013) in order to take account of the financing projects in the field of energy in the context of the **European Economic Recovery Plan** (second revision).

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

BACKGROUND: in the context of the European Economic Recovery Plan, the European Parliament, the Council and the Commission have agreed, at the budgetary trilogue meeting of 2 April 2009, to finance a package of projects in this area through the revision of the Interinstitutional Agreement (IIA) of 17 May 2006 (ACI/2008/2332). The package, which aims at providing additional stimulus to the economy and improving energy security, amounts to EUR 5 000 million in current prices:

- **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;
- **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 Common Agricultural Policies' Health Check.

The financing of the total amount of EUR 5 000 million will be secured as soon as possible:

- **the 1st phase aims to mobilise 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 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;
- **the 2nd phase shall finance the remaining amount of EUR 2 400 million** which 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 procedure set out to finance the 2nd phase (compensation mechanism) should in principle follow these steps: (i) the European Parliament, the Council and the Commission will examine all available sources that could provide for the compensation of funds; (ii) before the use of the available amount within Heading 2 is considered, EUR 420 million will be committed 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 reform of the Common Agricultural Policy ("Health Check") in 2010; (iii) in order to compensate for the amount of EUR 1 980 million, the **remaining margins under the 2009 ceilings and the 2010** available margins 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.

CONTENT: the Commission proposes to revise the financial framework, so as to **increase the 2010 ceiling for commitment appropriations under Heading 1A by an amount of EUR 1 587 million**. This would leave a **provisional gap of EUR 393 million** to be filled for covering the full amount foreseen for projects in the field of energy. In accordance with the above agreement, this gap shall be filled at the latest at the conciliation of the 2011 budgetary procedure. The final size of the gap will be assessed as soon as the final execution data for EAGF measures under Heading 2 become available in early November 2009. Any new market developments which may influence the 2010 budget will also be assessed at this time. The Commission undertakes to examine all financial availabilities with a view to filling the remaining gap at the November 2009 budget conciliation.

- Use of margins and redeployment to finance the 2009 Recovery Plan: in Point 13 of the IIA provides that the institutions are required to ensure that sufficient margins are left available beneath the ceilings. **No margin is left under the 2009 ceiling for commitment appropriations under heading 1A**. As regards Heading 2, the current margin left under the 2009 expenditure ceiling for commitment appropriations under this Heading amounts to EUR 901 million. In addition, appropriations amounting to EUR 250 million for rural development and EUR 20 million for climate change were entered into the 2009 budget, but cannot be used because there is no appropriate legal basis.

Given that the agricultural year is now closed, it is **proposed to make the remaining 2009 margin and the unused appropriations under Heading 2 available to the energy projects of the European Economic Recovery Plan** to be financed under Heading 1A.

Because of the critical situation in the dairy markets, the actual availability of the unallocated margin under the 2010 expenditure ceiling for commitment appropriations under Heading 2 is lower than originally expected and amounts to EUR 844 million.

- **Amendments to the budgetary headings to finance the European Economic Recovery Plan**: the Commission proposes to use the margin of EUR 844 million to provide:

- under Heading 2, the EUR 420 million required under the European Economic Recovery Plan for developing broadband internet in rural areas and strengthening operations related to the "new challenges" defined in the context of Health Check;
- a further EUR 124 million, which can be made available for energy projects under Heading 1A.

This leaves a margin of EUR 300 million available for agriculture under the expenditure ceiling in 2010, which corresponds to the margin necessary to avoid application of the financial discipline mechanism. 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.

- To Finance the Lisbon treaty:the margins under the expenditure ceilings of Heading 5 (Administration) amount to EUR 131 million in 2009 and EUR 230 million in 2010. Part of the latter margin may be necessary to cover additional needs related to the entry into force of the Lisbon Treaty. Taking that into account, a maximum of EUR 281 million (EUR 131 million from the 2009 margin and EUR 150 million from the 2010 margin) can be made available.

Payment appropriations:point 23, fourth paragraph, of the IIA requires that any revision must maintain an appropriate relationship between commitments and payments. Hence, 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 Headings 1b, 2 and 5 in 2009 and 2010.

Conclusion: overall, the **revision shall be neutral in terms of the global ceilings for commitment and payment appropriations** expressed in current prices. The increase of the ceiling for sub-Heading 1 A will

be fully offset by decreasing the ceilings for commitment appropriations under Headings 1b, 2 and 5 for the years 2009 and 2010 by a total amount of EUR 1 587 million.