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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**amending the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and
sound financial management as regard adjustment of the multiannual financial
framework**

*presented by the Commission
to Parliament and the Council in accordance with paragraph 48 of the Interinstitutional
Agreement of 17 May 2006*

EXPLANATORY MEMORANDUM

Points 18 and 48 of the Interinstitutional Agreement of 17 May 2006 provide for the Commission 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:

- the adjustment of total payment appropriations to ensure, in the light of requirements, an orderly progression in relation to the commitment appropriations (point 18);
- 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. The present proposal to take account of implementation is applied on expenditure ceilings at current prices.

Furthermore, point 16 of the Interinstitutional Agreement states that each year the Commission will, ahead of the budgetary procedure for year n+1, make a technical adjustment to the financial framework in line with movements in the EU's gross national income (GNI) and prices and communicate the results to the two arms of the budgetary authority. As far as prices are concerned, expenditure ceilings at current prices are established using the fixed 2% deflator foreseen in point 16 of the Interinstitutional Agreement. As far as movements in GNI are concerned, the present proposal includes the latest economic forecasts available.

1. ADJUSTMENT OF STRUCTURAL FUNDS, COHESION FUND, RURAL DEVELOPMENT AND THE EUROPEAN FUND FOR FISHERIES IN THE LIGHT OF THE CIRCUMSTANCES OF THEIR IMPLEMENTATION (POINT 48)

Under point 48 of the Interinstitutional Agreement, in the event of 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 undertake to authorise, on a proposal from the Commission, the transfer to subsequent years, in excess of the corresponding ceilings on expenditure, of allocations not used in 2007

1.1. Scope of point 48 of the Interinstitutional Agreement

The Interinstitutional Agreement sets out the principle that the transfer is limited to the unused allocations for the first year of the financial framework.

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). The latter remain under the discipline of the Structural Funds and the amounts involved shall be again made available to the Member States in the event of delays in the submission of the respective programmes¹.

1.2. Proposed transfer of commitment appropriations from 2007 to future years (Table 1).

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. The table below shows the distribution by Fund of the delayed programmes.

Fund	Number of OP delayed	2007 envelopes to be reprogrammed	
		(in current prices, in EUR million)	%
ERDF	5	375	18%
ENPI (with ERDF contribution)	14	48	2%
IPA (with ERDF contribution)	4	3	0%
<i>Subtotal Heading 1B</i>	<i>23</i>	<i>426</i>	<i>21%</i>
EAFRD	15	1.469	72%
EFF	7	139	7%
<i>Subtotal Heading 2</i>	<i>22</i>	<i>1.608</i>	<i>79%</i>
TOTAL	45	2.034	100%

Clearly the delays in the initial programming for the period 2007-2013 were sharply reduced compared to the period 2000-2006. As illustrated in the comparative table below, the amount that needs to be reprogrammed to later years was reduced from 20% to 3%.

Significance of delays in programming - 2007 versus 2000							
<i>(in current prices, in EUR million)</i>							
	Nominal envelope	Carry-overs	Re-programming to further years	Carry-overs + Re-programming	% Carried-over	% Re-programming	% Carry-over and Reprogramming
2000	30.019	8.038	6.153	14.191	27%	20%	47%
2007	58.429	1.491	2.034	3.525	3%	3%	6%

72% of the reprogramming required is due to delays in the Rural Development programmes. Several aspects of rural development programming burdened their approval procedure compared to that of the Cohesion programmes. Firstly, rural development programming goes down to the level of rural development measures, with quite detailed information required, for instance on environmental aspects. Secondly, each programme is submitted for approval to the Rural Development

¹ In accordance with Article 21 (5) of Council Regulation 1083/2006 of 11 July 2006

Committee prior to Commission approval. Thirdly, a significant number of programmes were only submitted to the Commission in the second half of 2007, which to some extent might have been influenced by the uncertainty of the outcome of the negotiations on voluntary modulation during the first part of 2007. Finally, other factors (such as national institutional constraints and lack of previous programming experience) may also have contributed to the late presentation of draft programmes and/or delays in clarifications requested by the Commission.

The delays in ERDF programming were mainly due to the late submission of the programmes involved. In some cases, their content required further negotiations to improve consistency with the Community objectives. Negotiations on the four IPA programmes delayed have been progressing slowly, as negotiations involving several countries, some of them third countries, are inevitably more complex. Similar difficulties have affected the ENPI programmes, of which only the Baltic Sea programme was submitted and adopted in 2007.

Many EFF programmes were also submitted quite late (e.g. December 2007) making it impossible to adopt the programmes in 2007.

Table 1a in Annex gives a complete overview of the under-implementation in 2007 by objective and Fund. The amount of appropriations under-implemented was EUR 3 525 million. Of this, EUR 1 491 million were carried forward to 2008, given that the preliminary stages of the commitment procedure had already been completed by the end of 2007. This left EUR 2 034 million, which are here proposed to be transferred, under point 48 of the Inter-Institutional Agreement, to later years of the programming period.

The following table shows the proposed reprogramming proposed for heading 1B and heading 2².

(in current prices, in EUR)

	2008	2009	2010	2011	2012	2013
H1b	378.007.275	0	0	23.789.685	23.789.686	0
H2	393.592.042	387.183.354	387.189.346	146.825.262	146.825.262	146.825.260

The profile is slightly front-loaded, but the amounts are small in relation to the size of the annual envelopes.

In addition, table 1b gives the detail by fund and use of the breakdown by year of the proposed transfer.

1.3. Effect of the proposed transfers on the level of the corresponding payment appropriations.

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

² The amounts in this table are given in euros as the programming in Heading 1b, Rural Development and the European Fund for Fisheries is made in euros. However, the adjustment of the Financial Framework annual ceilings is made in million euros, which involves rounding.

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 budget 2008 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.

2. MAINTAINING AN ORDERLY PROGRESSION BETWEEN PAYMENT APPROPRIATIONS AND COMMITMENT APPROPRIATIONS (POINT 18)

One of the purposes of the financial framework is to ensure an orderly progression between commitments and payments. This relationship was established for the duration of the financial framework on the basis of a number of hypotheses, which were communicated to both arms of the budgetary authority in May 2005. The annual ceiling for appropriations for payments in the financial framework 2007-2013 was based on this methodology. The Commission is to re-examine these hypotheses in 2010 according to the terms of point 19 of the Interinstitutional Agreement.

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 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 not see any need to present now a proposal to adjust the ceiling for payment appropriations for the year 2009. Of course, it will continue to monitor carefully the evolution of the situation.

The Commission 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.

Table 1: Implementation of the Structural Funds in 2007 – Transfer of unused allocations

Table 1a						
Under-utilisation of Structural Funds, Cohesion Fund, Rural Development and European Fund for Fisheries allocations in 2007						
<i>(in current prices, in EUR)</i>						
Objective	Fund	2007 allocation	Implementation	Under-implementation	Carry-over	To be transferred under Point 48 IIA
Convergence	ERDF	21 306 584 583	20 980 317 541	326 267 042	0	326 267 042
Convergence	ESF	6 773 139 198	6 759 975 961	13 163 237	13 163 237	0
Territorial Cooperation (TC)	ERDF	1 028 694 305	884 635 554	144 058 751	95 533 659	48 525 092
TC - Contribution to IPA	ERDF	26 565 453	1 817 626	24 747 827	21 532 686	3 215 141
TC - Contribution to ENPI	ERDF	47 579 371	0	47 579 371	0	47 579 371
Sub-total Heading 1b		29 182 562 910	28 626 746 682	555 816 228	130 229 582	425 586 646
Rural Development (RD)	EAFRD	12 343 028 110	9 513 362 081	2 829 666 029	1 360 517 165	1 469 148 864
European Fund for Fisheries (EFF), Convergence	EFF	425 295 599	308 036 726	117 258 873	0	117 258 873
European Fund for Fisheries (EFF), outside convergence	EFF	141 595 022	119 562 233	22 032 789	0	22 032 789
Sub-total Heading 2		12 909 918 731	9 940 961 040	2 968 957 691	1 360 517 165	1 608 440 526
Total		42 092 481 641	38 567 707 722	3 524 773 919	1 490 746 747	2 034 027 172

Table 1b								
Schedule of transfers								
<i>(in current prices, in EUR)</i>								
Objective	Fund	Amount to be transferred	to 2008	to 2009	to 2010	to 2011	to 2012	to 2013
Convergence	ERDF	326 267 042	326 267 042	0	0	0	0	0
Territorial Cooperation (TC)	ERDF	48 525 092	48 525 092	0	0	0	0	0
TC - Contribution to IPA	ERDF	3 215 141	3 215 141	0	0	0	0	0
TC - Contribution to ENPI	ERDF	47 579 371	0	0	0	23 789 685	23 789 686	0
Sub-total Heading 1b		425 586 646	378 007 275	0	0	23 789 685	23 789 686	0
Rural Development (RD)	EAFRD	1 469 148 864	370 376 764	363 968 076	363 974 068	123 609 986	123 609 986	123 609 984
European Fund for Fisheries (EFF), Convergence	EFF	117 258 873	19 543 146	19 543 146	19 543 146	19 543 145	19 543 145	19 543 145
European Fund for Fisheries (EFF), outside convergence	EFF	22 032 789	3 672 132	3 672 132	3 672 132	3 672 131	3 672 131	3 672 131
Sub-total Heading 2		1 608 440 526	393 592 042	387 183 354	387 189 346	146 825 262	146 825 262	146 825 260
Total		2 034 027 172	771 599 317	387 183 354	387 189 346	170 614 947	170 614 948	146 825 260

3. TECHNICAL ADJUSTMENT OF THE FINANCIAL FRAMEWORK FOR 2009 IN LINE WITH MOVEMENTS OF GNI (POINT 16)

Table 2 shows the financial framework for EU-27 taking account of implementation and adjusted for 2009 (i.e. in current prices and expressed in percentage of GNI using the latest economic forecasts available).

3.1. Total figure for GNI

According to the latest forecast available, the GNI for 2009 is established at EUR 13 129 billion in current prices for EU-27 (and at EUR 12 547 billion for 2008 and EUR 11 975 billion for 2007).

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.

3.2. Main results of the technical adjustment of the Financial Framework for 2009

The overall ceiling on commitment appropriations for 2009, taking into account of implementation (i.e. EUR 136 211 million) equals 1.04 % of GNI.

The corresponding overall ceiling concerning the payment appropriations (i.e. 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).

3.3. Other elements linked to the technical adjustment

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.

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

- the *Emergency Aid reserve*, which can be mobilised up to a maximum amount of EUR 221.0 million per year in 2004 constant prices, or EUR 244.0 million in 2009 at current prices;
- the *EU Solidarity Fund*, whose maximum annual amount in current prices is EUR 1 billion;
- the *Flexibility Instrument*, with a maximum annual amount in current prices of EUR 200 million, plus the portion of the unused annual amounts of the years 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.

Operations outside the budget and own resources

The fourth subparagraph of point 11 of the Interinstitutional Agreement states that information relating to operations not included in the general budget and the foreseeable development of the various categories of own resources is to be set out in tables, as an indication, and updated annually when the technical adjustment is made to the financial framework.

This information, updated in line with the latest estimates available, is set out in Table 3. It covers the European Development Fund (EDF) and the structure of own resources.

TABLE 2: FINANCIAL FRAMEWORK 2007 -2013 in current prices*(EUR million - current prices)*

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	53.979	57.653	59.700	61.782	63.638	66.628	69.621	433.001
1a Competitiveness for Growth and Employment	8.918	10.386	11.272	12.388	12.987	14.203	15.433	85.587
1b Cohesion for Growth and Employment	45.061	47.267	48.428	49.394	50.651	52.425	54.188	347.414
2. Preservation and Management of Natural Resources	55.143	59.193	59.639	60.113	60.338	60.810	61.289	416.525
of which: market related expenditure and direct payments	45.759	46.217	46.679	47.146	47.617	48.093	48.574	330.085
3. Citizenship, freedom, security and justice	1.273	1.362	1.523	1.693	1.889	2.105	2.376	12.221
3a Freedom, Security and Justice	637	747	872	1.025	1.206	1.406	1.661	7.554
3b Citizenship	636	615	651	668	683	699	715	4.667
4. EU as a global player	6.578	7.002	7.440	7.893	8.430	8.997	9.595	55.935
5. Administration ⁽¹⁾	7.039	7.380	7.699	8.008	8.334	8.670	9.095	56.225
6. Compensations	445	207	210					862
TOTAL COMMITMENT APPROPRIATIONS	124.457	132.797	136.211	139.489	142.629	147.210	151.976	974.769
as a percentage of GNI	1,04%	1,06%	1,04%	1,02%	1,00%	0,99%	0,98%	1,02%
TOTAL PAYMENT APPROPRIATIONS	122.190	129.681	123.858	133.505	133.452	140.200	142.408	925.294
as a percentage of GNI	1,02%	1,03%	0,94%	0,97%	0,93%	0,94%	0,91%	0,96%
Margin available	0,22%	0,21%	0,30%	0,27%	0,31%	0,30%	0,33%	0,28%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of €500 million at 2004 prices for the period 2007-2013.

**TABLE 3: INDICATIVE PROGRAMME OF EXPENDITURE NOT ENTERED IN THE GENERAL BUDGET
AND PROSPECTIVE TREND IN THE VARIOUS OWN RESOURCES**

EUROPEAN DEVELOPMENT FUND

Commitments (C) and Payments (P)
EUR million - current prices

2000		2001		2002		2003		2004		2005		2006		2007		2008		2009	
C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
4 007	1 640	1 927	1 779	2 125	1 922	3 769	2 345	2 648	2 464	3 511	2 544	3 408	2 826	3 636	2 929	2 900	3 280	3 750	3 075

The series relate to the measures managed by the Commission. Measures managed by the European Investment Bank are not included.

The amounts for 2001 to 2004 have been amended to take account of the impact of the regularisation of certain payments made on the Stabex instrument.

The actual amounts for 2008 will depend upon the moment of entry into force of the 10th EDF.

OWN RESOURCES BY CATEGORY

% of total	2000	2001	2002	2003	2004	2005	2006	2007	2008
Traditional own resources (TOR)	17%	18%	12%	13%	13%	14%	15%	16%	16%
VAT	40%	39%	29%	25%	15%	16%	17%	17%	16%
GNP/GNI	43%	43%	59%	62%	72%	70%	69%	67%	68%

2000-2006: outturns

(including the retroactive adjustment in 2002 of 15% of the amounts retained in 2001 as TOR collection costs)

2007: Amending Budget 7/2007 & 2008: Budget 2008 [forecasts are based upon the Own Resources Decision of 29 September 2000 (OJ L 253/42)]

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management as regard adjustment of the multiannual financial framework

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Interinstitutional Agreement between the European Parliament, the Council and the Commission of 17 May 2006 on budgetary discipline and sound financial management³, and in particular to Point 48 thereof,

Having regard to the proposal from the Commission,⁴

Whereas:

- (1) As a result of delays in the adoption of certain operational programmes of Headings 1b and 2, EUR 2 034 million in current prices of the allocation provided for the Structural Funds, the Cohesion Fund, Rural Development and the European Fund for Fisheries could not be committed in 2007 nor carried over to 2008. Under point 48 of the Interinstitutional Agreement, this amount must be transferred to subsequent financial years by increasing the corresponding expenditure ceilings for commitment appropriations.
- (2) Annex I of the Interinstitutional Agreement on budgetary discipline and sound financial management should therefore be amended accordingly⁵,

HAVE DECIDED AS FOLLOWS:

Sole Article

Annex I to the Interinstitutional Agreement on budgetary discipline and sound financial management is replaced by the Annex to this Decision.

³ OJ C 139, 14.6.2006, p. 1. as amended by Decision 2008/29/EC of the European Parliament and of the Council of 18 December 2007 amending the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management as regard the multiannual financial framework, OJ L 6, 10.1.2008, p.7.

⁴ OJ COM xxx, xx.xx.2008

⁵ For that purpose, the figures in current prices are converted into 2004 prices.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

FINANCIAL FRAMEWORK 2007 -2013

(EUR million - constant 2004 prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	50.865	53.262	54.071	54.860	55.400	56.866	58.256	383.580
1a Competitiveness for Growth and Employment	8.404	9.595	10.209	11.000	11.306	12.122	12.914	75.550
1b Cohesion for Growth and Employment	42.461	43.667	43.862	43.860	44.094	44.744	45.342	308.030
2. Preservation and Management of Natural Resources	51.962	54.685	54.017	53.379	52.528	51.901	51.284	369.756
of which: market related expenditure and direct payments	43.120	42.697	42.279	41.864	41.453	41.047	40.645	293.105
3. Citizenship, freedom, security and justice	1.199	1.258	1.380	1.503	1.645	1.797	1.988	10.770
3a Freedom, Security and Justice	600	690	790	910	1.050	1.200	1.390	6.630
3b Citizenship	599	568	590	593	595	597	598	4.140
4. EU as a global player	6.199	6.469	6.739	7.009	7.339	7.679	8.029	49.463
5. Administration ⁽¹⁾	6.633	6.818	6.973	7.111	7.255	7.400	7.610	49.800
6. Compensations	419	191	190					800
TOTAL COMMITMENT APPROPRIATIONS	117.277	122.683	123.370	123.862	124.167	125.643	127.167	864.169
as a percentage of GNI	1,08%	1,09%	1,07%	1,05%	1,03%	1,02%	1,01%	1,048%
TOTAL PAYMENT APPROPRIATIONS	115.142	119.805	112.182	118.549	116.178	119.659	119.161	820.676
as a percentage of GNI	1,06%	1,06%	0,97%	1,00%	0,97%	0,97%	0,95%	1,00%
Margin available	0,18%	0,18%	0,27%	0,24%	0,27%	0,27%	0,29%	0,24%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of €500 million at 2004 prices for the period 2007-2013.