



Council of the  
European Union

Brussels, 4 February 2021  
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EEE 19  
FSTR 10  
FC 2  
FIN 202  
ECO 62  
FISC 62  
SOC 311  
N 20  
ISL 17  
FL 19

#### DECLASSIFICATION<sup>1</sup>

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Subject: Recommendation from the Commission to the Council authorising the Commission to open negotiations concerning the future financial contributions of the EEA EFTA States to social and economic cohesion in the EEA

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Delegations will find attached the declassified version of the above document.

The text of this document is identical to the previous version.

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<sup>1</sup> Document declassified by the European Commission on 29 January 2021.

# RESTREINT UE



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 23 May 2008**

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## **COVER NOTE**

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from: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 22 May 2008

to: Mr Javier SOLANA, Secretary-General/High Representative

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Subject: Recommendation from the Commission to the Council authorising the  
Commission to open negotiations concerning the future financial contributions  
of the EEA EFTA States to social and economic cohesion in the EEA

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Delegations will find attached Commission document **SEC(2008) 1904 final**.

Encl.: **SEC(2008) 1904 final**



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20.5.2008  
SEC(2008)1904 final

RESTREINT UE

**RECOMMENDATION FROM THE COMMISSION TO THE COUNCIL**

**authorising the Commission to open negotiations concerning the future financial contributions of the EEA EFTA States to social and economic cohesion in the EEA.**

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## 1. EXPLANATORY MEMORANDUM

### 1. GENERAL BACKGROUND

The Agreement on the European Economic Area<sup>2</sup> (EEA Agreement) allows for Norway, Iceland and Liechtenstein (the EEA EFTA States) to participate fully in the Internal Market. Inextricably linked to this, since the entry into force of the EEA Agreement, the EEA EFTA States have contributed to alleviate economic and social disparities in the EEA on the basis of article 115 of the EEA Agreement.

The various financial contributions have been set out in different instruments since 1994. From 1994 to 2004, two consecutive five-year EEA financial mechanisms were implemented under Protocol 38 of the EEA Agreement.

In the context of the 2004 enlargement of the EU and consequently the EEA, a substantial increase in the financial contribution was negotiated with an overall financial envelope of 1,167 M€ over a five-year period (1 May 2004 to 30 April 2009), consisting of several elements. An additional global amount of 140 million euro for Bulgaria and Romania for the remaining 28 months of the five-year period was negotiated in the context of the 2007 EU/EEA enlargements.

In view of the expiry of the existing agreements on financial contributions from the EEA EFTA States on 30 April 2009, formal negotiations must be launched in order to ensure that the EEA EFTA States continue to contribute financially at an appropriate level after 2009 and to ensure the smooth and uninterrupted functioning of the implementation of these contributions.

### 2. CURRENT EEA EFTA FINANCIAL CONTRIBUTIONS

The existing agreements on financial contributions are the following:

- EEA Financial Mechanism in Protocol 38A to the EEA Agreement: 600 M€ for the period 1 May 2004 to 30 April 2009
- Norwegian Financial Mechanism: 567 M€ from 1 May 2004 to 30 April 2009,
- An Addendum to Protocol 38A of the EEA Agreement for Bulgaria and Romania totalling 72 M€ for the period 1 January 2007 to 30 April 2009,
- An EC-Norway Agreement on a bilateral Norwegian financial contribution to Bulgaria of 20 M€ for the period 1 January 2007 to 30 April 2009, and
- An EC-Norway Agreement on a bilateral Norwegian financial contribution to Romania of 48 M€ for the period 1 January 2007 to 30 April 2009.

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<sup>2</sup> OJ L 1 of 3 January 1994, p. 1.

This means that since the accession of Bulgaria and Romania, the overall financial contribution from the EEA EFTA States has been **293.4 M€ p.a.**

All 15 beneficiaries of the EU cohesion fund are also beneficiaries of the multilateral EEA EFTA financial contributions, whereas only the 12 new Member States benefit from the bilateral Norwegian contributions. The EU cohesion fund distribution key is used also in the context of the financial contributions from the EEA EFTA States.

### **3. MAIN OBJECTIVES FOR THE POST-2009 FINANCIAL CONTRIBUTIONS FROM THE EEA EFTA STATES**

#### **3.1. Amount**

The need to alleviate economic and social disparities in the EEA on the basis of article 115 of the EEA Agreement clearly persists, and EU Member States have substantially increased their efforts in the new financial perspectives 2007-2013 as compared to the previous EU financial perspectives.

Furthermore, the Internal Market continues to become ever more comprehensive and effective and the benefits of the Internal Market have grown significantly and will continue to do so, not least in the services area. This means that the value of the participation of the EEA EFTA States in the Internal Market has continued and will continue to increase substantially.

The 2004-2009 financial contributions from the EEA EFTA States to alleviate economic and social disparities have been a clear success. Generally speaking, there have been no problems of absorption, quite the contrary, with far more project applications than available funds.

The projects financed have certainly contributed to the improvement of social and economic cohesion in the EEA, and there has been a good level of complementarity between the EU cohesion policies and the implementation of the EEA EFTA States' financial contribution. In addition, the projects financed have allowed the EEA EFTA States to demonstrate to the new Member States and their citizens their support for the enlargement process in particular and European solidarity in general. In several cases, projects have also had an added dimension of supporting other common policy objectives in addition to alleviating social and economic disparities, such as the EU Neighbourhood Policy and border security management, through cross-border projects or climate change through projects that aim to limit the emission of greenhouse gasses.

Finally, inflation must naturally also be taken into account in the context of identifying the appropriate increase in the financial contributions.

Taken together, all the elements listed above constitute grounds for seeking a substantial increase in the global level of financial contributions from the EEA EFTA States after 30 April 2009.

#### **3.2. Structure, Duration, Scope, Beneficiaries and Implementation**

**Structure:** Ideally, there ought to be one single EEA Financial Mechanism under Protocol 38 of the EEA Agreement and this should be presented as the structure that the EU side prefers. If, however, this proves not to be acceptable to the EEA EFTA States, it should not be a priority for the EU that the current set-up be modified; this is more an issue for the EEA

EFTA States to resolve among themselves. It is the overall amount of the financial contributions that matters. Therefore it is proposed to present the preference as described, but not as a *conditio sine qua non*.

**Duration:** Similarly, it should be stressed that the EU side would like to see the financial contributions of the EEA EFTA States put on a permanent basis. Since, however, there have already been three precedents for agreements on EEA EFTA financial contributions with a five-year duration, the negotiation directives should leave this option open for the negotiators.

**Scope:** The main objective of the financial contributions from the EEA EFTA States must continue to be alleviating economic and social disparities in the EEA. However, as is the case with the current Financial Mechanisms, this can take place within certain priority fields. It is proposed to enter the negotiations with an open mind with respect to these priority fields, but stressing the necessity of flexibility in their application so as to be able to adapt the implementation appropriately in view of the specificities and priorities of each individual beneficiary country.

**Beneficiaries:** The beneficiaries should be the EU Member States that are eligible for EU cohesion funding and the cohesion fund distribution key should apply.

**Implementation:** While the overall assessment of the success of the current financial contributions is positive, these negotiations will be the appropriate moment to generally review the experiences and lessons learned from the 2004-2009 period and adapt the implementation provisions accordingly. Generally, the future financial contributions should build upon what has been established and complementary with EU policies and projects should continue to be ensured. However, the ceiling for overall administrative costs should be reduced and current practices in relation to external consultants should be reviewed. The implementation procedures should be lightened and rely more upon the national authorities of the beneficiary countries. Assistance should not be tied. Whatever the implementation structure, there should be no duplication on work or procedures. The concepts of programme financing or block grants should be introduced in addition to the current practice of exclusively financing individual projects. There should be sufficient flexibility to take into account the specificities of each individual beneficiary country and it should be made explicit in the agreement that not all priority fields need to be covered by a beneficiary state. Other elements of lessons learned may be examined.

**Other issues:** It is to be expected that other issues, which were subject to negotiation at the same time as the existing financial mechanisms will be raised during the negotiations under a heading that the EEA EFTA States label “market access”. Should this be the case, such issues will be addressed as appropriate and in close co-ordination between the Commission services and EU Member States.

## 2. RECOMMENDATION

In the light of the above considerations, the Commission recommends that the Council decide that:

- The Commission be authorised to open negotiations with Iceland, Liechtenstein and Norway on the future financial contributions of the EEA EFTA States to economic and social cohesion in the EEA;
- The Commission conduct these negotiations in accordance with the directives attached hereto and in consultation with a special committee appointed by the Council.

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## ANNEX

### NEGOTIATING DIRECTIVES

#### 1. GENERAL OBJECTIVE

To obtain the continuation of the financial contributions from the EEA EFTA States to economic and social cohesion in the EEA with an appropriately significant overall increase.

#### 2. START OF THE NEGOTIATIONS

The negotiations should start as soon as possible following the adoption of the present directives with a view of finalise the negotiations before the end of 2008.

#### 3. CONTENT OF THE AGREEMENT TO BE OBTAINED

- An increase of the financial contributions of the EEA EFTA States should reflect the continued need for alleviation of social and economic disparities in the EEA, the increased cohesion efforts of the Community and its Member States, the benefits of the Internal Market and the success of the 2004-2009 financial contributions, especially in view of the large number of project applications, by far exceeding the available funds.
- If feasible, a restructuring of the current Financial Mechanisms into one single instrument. Beneficiary countries should be the same as the EU cohesion countries.
- Preferably a permanent basis for the financial contributions; otherwise a new agreement of a five-year duration.
- A review of the existing priority fields and a simplification and lightening of the implementing procedures, avoiding duplication of work, as well as a reduction of the administrative cost. There should be sufficient flexibility to take into account the specificities of each individual country and it should be made explicit in the agreement that not all priority areas need to be covered by a beneficiary state.
- Should other issues be raised by the EEA EFTA States, such issues will be addressed as appropriate and in close co-ordination between the Commission services and EU Member States.

During the negotiations there should be regular consultations on the progress made and the further line to take between the Commission and Member States in the EFTA Working Party.



#### 4. ENTRY INTO FORCE

The negotiations should be conducted and concluded rapidly in order to ensure that the instruments for adapting the above agreements will enter into force on 1 May 2009, if necessary on a provisional basis.

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<b>FINANCIAL STATEMENT</b>	
	DATE:
1.	BUDGET HEADING: n.a.
	APPROPRIATIONS:
2.	TITLE:  <u>Adaptation of the following agreements:</u>  <ul style="list-style-type: none"> <li>– Agreement on the European Economic Area</li> <li>– 2004 Agreement between the Kingdom of Norway and the European Community on a Norwegian Financial Mechanism for the period 2004-2009</li> <li>– 2004 Agreement in the form of an Exchange of Letters between the European Community and the Kingdom of Norway concerning certain agricultural products</li> <li>– 2004 Additional Protocol to the Agreement between the European Economic Community and the Republic of Iceland consequent on the accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic to the European Union</li> <li>– - 2004 Additional Protocol to the Agreement between the European Economic Community and the Kingdom of Norway consequent on the accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic to the European Union</li> <li>– 2007 Agreement between the Kingdom of Norway and the European Community concerning a Co-operation Programme for Economic Growth and Sustainable Development in Bulgaria</li> <li>– 2007 Agreement between the Kingdom of Norway and the European Community concerning a Co-operation Programme for Economic Growth and Sustainable Development in Romania</li> <li>– 2007 Additional Protocol to the Agreement between the European Economic Community and the Republic of Iceland consequent on the accession of the Republic of Bulgaria and Romania to the European Union</li> <li>– 2007 Additional Protocol to the Agreement between the European Economic Community and the Kingdom of Norway consequent on the accession of the Republic of Bulgaria and Romania to the European Union</li> </ul>

3. LEGAL BASIS: Articles 133, 300 and 310 of the EC Treaty				
4. AIMS:				
5. FINANCIAL IMPLICATIONS  None	12 MONTH PERIOD  (EUR million)	CURRENT FINANCIAL YEAR [n] (EUR million)	FOLLOWING FINANCIAL YEAR [n+1] (EUR million)	
5.0 EXPENDITURE - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) - NATIONAL AUTHORITIES - OTHER	None	None	None	
5.1 REVENUE - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL	None	None	None	
	[n+2]	[n+3]	[n+4]	[n+5]
5.0. ESTIMATED EXPENDITURE 1				
5.1. ESTIMATED REVENUE 1				
5.2 METHOD OF CALCULATION:				
6.0 CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?			YES	
6.1 CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?			NO	
6.2 WILL A SUPPLEMENTARY BUDGET BE NECESSARY?			NO	
6.3 WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?			NO	
OBSERVATIONS:				