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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 30.11.2009
COM(2009)662 final

Amended 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 regards the multiannual financial framework:
Financing projects in the field of energy in the context of the European Economic Recovery Plan**

EXPLANATORY MEMORANDUM

1. INTRODUCTION

At the trilogue meeting of 2 April 2009, the European Parliament, the Council and the Commission agreed on the financing, in the framework of the European Economic Recovery Plan (EERP)¹, of projects in the field of energy and broadband internet in rural areas as well as activities related to 'new challenges' identified in the Common Agricultural Policy's Health Check.

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.
- 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 Common Agricultural Policy's Health Check.

Based on that agreement and the amended Commission proposal of 8 April 2009², the European Parliament and the Council adopted a Decision³ on 6 May 2009 by which the 2007-2013 financial framework was revised. The 2009 ceiling for commitment appropriations under heading 1A was increased by EUR 2 000 million for financing energy projects to aid economic recovery. This increase was fully offset by lowering the ceiling for 2009 for commitment appropriations under Heading 2 by the same amount. The ceilings for payment appropriations for the years 2009-2013 was modified accordingly. In parallel to that Decision, EUR 600 million were made available within the 2009 budget for broadband internet in rural areas as well as activities related to 'new challenges'.

According to the agreement of 2 April 2009, the financing of the remaining amount (EUR 1 980 million for energy and EUR 420 million for developing broadband internet in rural areas and strengthening operations related to the "new challenges" defined in the context of the CAP Health Check) is to "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".

On 27 October 2009 the Commission made a proposal for 'compensating' the remaining amount based on the above agreement⁴. The present amended proposal for a Decision of the European Parliament and of the Council takes into account the final execution data for EAGF measures under Heading 2, which were not available when the Commission made its initial proposal, as well as the results of the budgetary conciliation meeting of 18 November 2009.

¹ COM(2008) 859 final/2.

² COM(2009) 171/final

³ OJ L 132, 29.5.2009, p. 8.

⁴ COM(2009) 600.

Consequently, it proposes to revise the financial framework so as to increase the 2010 ceiling for commitment appropriations under Heading 1A by an amount of EUR 1 779 million. In addition, EUR 120 million will be made available by mobilising the Flexibility Instrument under Point 27 of the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management (IIA), and EUR 81 million by using the unallocated margin left under the 2010 ceiling for commitment appropriations under Heading 1A. This allows for providing the full remaining amount of EUR 1 980 million for energy projects under the EERP as agreed between the three institutions. In parallel, EUR 420 million will be made available within the 2010 budget for broadband internet in rural areas as well as activities related to 'new challenges'.

2. SCOPE FOR REALLOCATING EXPENDITURE UNDER THE CEILING OF HEADING 1A

The margin of EUR 3 million left under the 2009 ceiling for commitment appropriations under heading 1A will be made available for financing the EERP. In accordance with Point 23 of the IIA which provides for examining the scope for reallocating expenditure before revising the ceiling, the three institutions have agreed at the above mentioned conciliation meeting that EUR 81 million of the 2010 unallocated margin in the preliminary draft budget of the Commission will be used for the financing of the energy projects under the EERP. This is in line with the Declaration adopted on 2 April 2009 which provides that "the compensation mechanism will be without prejudice to the financial envelopes of the co-decided programmes and the annual budgetary procedure".

3. TRANSFERS FROM ONE HEADING TO ANOTHER

In accordance with Point 23, second paragraph, of the IIA and in line with the 2 April 2009 agreement, the institutions have agreed at the budgetary conciliation meeting of 19 November 2009 to 'compensate' the raising of the ceiling for commitment appropriations under Heading 1A in the following way:

Commitment appropriations: Transfers from Heading 1B

A margin of EUR 1 million is left under the 2009 ceiling and of EUR 6 million under the 2010 ceiling for commitment appropriations under Heading 1B due to unused technical assistance. It was agreed to use these amounts for financing energy projects under the Recovery Plan. The Commission confirms that the margin for commitment appropriations in 2010 under sub-heading 1b has its exclusive origin in the reassessment of the needs for the technical assistance at the initiative of and/or on behalf of the Commission as specified in article 45 of Council Regulation 1083/2006. As a consequence it has no impact on the programming or on the commitments of the operational programmes.

Commitment appropriations: Transfers from Heading 2

The final amount left under the 2009 expenditure ceiling for commitment appropriations under Heading 2 is EUR 1 036 million. This includes EUR 34 million resulting from under-execution of fisheries programmes which have been inserted in Amending Budget No 10/2009.

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 was agreed 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.

The initial margin under the 2010 expenditure ceiling for commitment appropriations under Heading 2 amounts to EUR 1 083 million after Council second reading of the 2010 budget.

It was agreed to use this margin for providing,

- 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 158 million, which can be made available for energy projects under Heading 1A.

This leaves a margin of EUR 505 million available for agriculture under the expenditure ceiling in 2010. 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.

Commitment appropriations: Transfers from Heading 3A

A margin of EUR 5 million is left under the ceiling for commitment appropriations under Heading 3A in 2009. Given that the budgetary year is almost completed and that no other use was foreseen for this remaining amount, it was agreed that it will also contribute to the financing of the energy projects under the EERP.

Commitment appropriations: Transfers from Heading 5

The margin under the expenditure ceilings of Heading 5 (Administration) amounts to EUR 174 million in 2009 (including an increase of the margin by EUR 98 million which results from under-execution in the budgets of the Commission, the Council, the Economic and Social Committee and the Committee of Regions and was made available by Amending Budget No 10/2009). For 2010, it was agreed to keep a margin of EUR 72 million after taking into consideration the amendments of the European Parliament's first reading and the proposed Amending Letter 3/2010. Part of this margin may be necessary to cover additional needs related to the entry into force of the Lisbon Treaty. Taking that into account, it is proposed to make EUR 300 million (EUR 174 million from the 2009 margin and EUR 126 million from the 2010 margin) available for the financing of the energy projects under the EERP.

4. PAYMENT APPROPRIATIONS

Point 23, fourth paragraph, of the IIA provides 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.

5. SUMMARY TABLE AND CONCLUSION

The below table summarises the proposed changes to the ceilings for commitment and payment appropriations in the financial framework. Amounts are expressed in current prices:

Commitment appropriations (EUR million)	2007	2008	2009	2010	2011	2012	2013	2007-2013
1a. Competitiveness for Growth and Employment			-3	1.779				1.776
1b. Cohesion for Growth and Employment			-1	-6				-7
2. Preservation and Management of Natural Resources			-1.306	-158				-1.464
3a. Freedom, security and justice			-5					-5
3b. Citizenship								0
4. EU as a global player								0
5. Administration			-174	-126				-300
6. Compensations								0
Total change in commitment appropriations	0	0	-1.489	1.489	0	0	0	0
Total change in payment appropriations		0	-1.489	134	381	504	470	0

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

The above changes result in the below financial framework table in current prices.

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, in accordance with Point 16 of the IIA.

FINANCIAL FRAMEWORK 2007-2013: SECOND REVISION FOR EUROPEAN ECONOMIC RECOVERY PLAN

(EUR million - current prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	53.979	57.653	61.696	63.555	63.638	66.628	69.621	436.770
1a Competitiveness for Growth and Employment	8.918	10.386	13.269	14.167	12.987	14.203	15.433	89.363
1b Cohesion for Growth and Employment	45.061	47.267	48.427	49.388	50.651	52.425	54.188	347.407
2. Preservation and Management of Natural Resources	55.143	59.193	56.333	59.955	60.338	60.810	61.289	413.061
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	1.518	1.693	1.889	2.105	2.376	12.216
3a Freedom, Security and Justice	637	747	867	1.025	1.206	1.406	1.661	7.549
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	7.525	7.882	8.334	8.670	9.095	55.925
6. Compensations	445	207	210					862
TOTAL COMMITMENT APPROPRIATIONS	124.457	132.797	134.722	140.978	142.629	147.210	151.976	974.769
as a percentage of GNI	1,02%	1,08%	1,13%	1,16%	1,13%	1,12%	1,11%	1,11%

TOTAL PAYMENT APPROPRIATIONS	122.190	129.681	122.369	133.639	133.833	140.704	142.878	925.294
as a percentage of GNI	1,00%	1,05%	1,03%	1,10%	1,06%	1,07%	1,05%	1,05%
Margin available	0,24%	0,19%	0,21%	0,14%	0,18%	0,17%	0,19%	0,19%
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.

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 regards the multiannual financial framework - Financing projects in the field of energy in the context of the European Economic Recovery Plan

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 management⁵, and in particular to Points 21, 22, first and second subparagraphs, and 23 thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) At the budgetary conciliation meeting of 18 November 2009 the European Parliament, the Council and the Commission have agreed on the modalities for providing additional financing, in the framework of the European Economic Recovery Plan, to projects in the field of energy and broadband internet as well as investments for 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")⁶. The financing requires a revision of the multiannual financial framework 2007-2013 in accordance with Points 21, 22, and 23 of the Interinstitutional Agreement, so as to raise the ceiling for the year 2010 for commitment appropriations under sub-Heading 1A by an amount of EUR 1 779 million in current prices.
- (2) The increase of the ceiling for sub-Heading 1 A for the year 2010 will be fully offset by decreasing the ceilings for commitment appropriations under Headings 1A, 1B, 2, 3A and 5 for the year 2009 as well as the ceilings for commitment appropriations under Heading 1B, 2 and 5 for 2010.
- (3) In order to keep an appropriate relationship between commitments and payments, the annual ceilings for payment appropriations will be adjusted. The adjustment will be neutral.

⁵ OJ C 139, 14.6.2006, p. 1.

⁶ COM(2008) 800, COM(2008) 859, COM(2009) 171, and OJ L 132, 29.5.2009, p. 8.

- (4) Annex I of the Interinstitutional Agreement on budgetary discipline and sound financial management should therefore be amended accordingly⁷,

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.

Done at Brussels,

For the European Parliament

For the Council
Algirdas SEMETA
Member of the Commission

⁷ For that purpose, the figures resulting from the above agreement are converted into 2004 prices.

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	55.879	56.435	55.400	56.866	58.256	386.963
1a Competitiveness for Growth and Employment	8.404	9.595	12.018	12.580	11.306	12.122	12.914	78.939
1b Cohesion for Growth and Employment	42.461	43.667	43.861	43.855	44.094	44.744	45.342	308.024
2. Preservation and Management of Natural Resources	51.962	54.685	51.023	53.238	52.528	51.901	51.284	366.621
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	1.375	1.503	1.645	1.797	1.988	10.765
3a Freedom, Security and Justice	600	690	785	910	1.050	1.200	1.390	6.625
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	6.816	6.999	7.255	7.400	7.610	49.531
6. Compensations	419	191	190					800
TOTAL COMMITMENT APPROPRIATIONS	117.277	122.683	122.022	125.184	124.167	125.643	127.167	864.143
as a percentage of GNI	1,08%	1,09%	1,06%	1,06%	1,03%	1,02%	1,01%	1,048%
TOTAL PAYMENT APPROPRIATIONS	115.142	119.805	110.833	118.668	116.510	120.090	119.554	820.602
as a percentage of GNI	1,06%	1,06%	0,96%	1,00%	0,97%	0,98%	0,95%	1,00%
Margin available	0,18%	0,18%	0,28%	0,24%	0,27%	0,26%	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.