SPLIT, JUNE 17th and 18th 2005 (CROATIA)

International conference

"Adriatic Action Plan 2020, two years later"

PARLAMENTO EUROPEO

Investing in our Future

A financial framework for Europe's common goals 2007-2013

"Policy Challenges and Budgetary Means of the enlarged Union 2007-2013: the position of the European Parliament" byPaolo Meucci, Assistant of Director, European Parliament Office in Italy (Rome) .

Why a Financial Framework?

- Ensure predictability of EU expenditure
- Ensure budgetary discipline
- Ease the annual budgetary procedure
- Aid planning of multi-annual programmes and projects

Status of Financial Framework

- An inter-institutional agreement
- Parliament, Council and Commission agree in advance on priorities
- They commit themselves to respect the agreed expenditure ceilings

Financial Frameworks 1988-2006

- 1988 - 1992 Delors I
  - Internal market, CAP reform, Structural Funds
  - Own resources ceiling 1.2% of GNP

- 1993 – 1999 Delors II
  - CAP reform (direct payments), cohesion fund
  - Own resources ceiling 1.27% of GNP

- 2000 – 2006 Agenda 2000
  - Enlargement
  - Own resources ceiling 1.24% of GNI (=1.27 of GNP)

Priorities 2007-2013

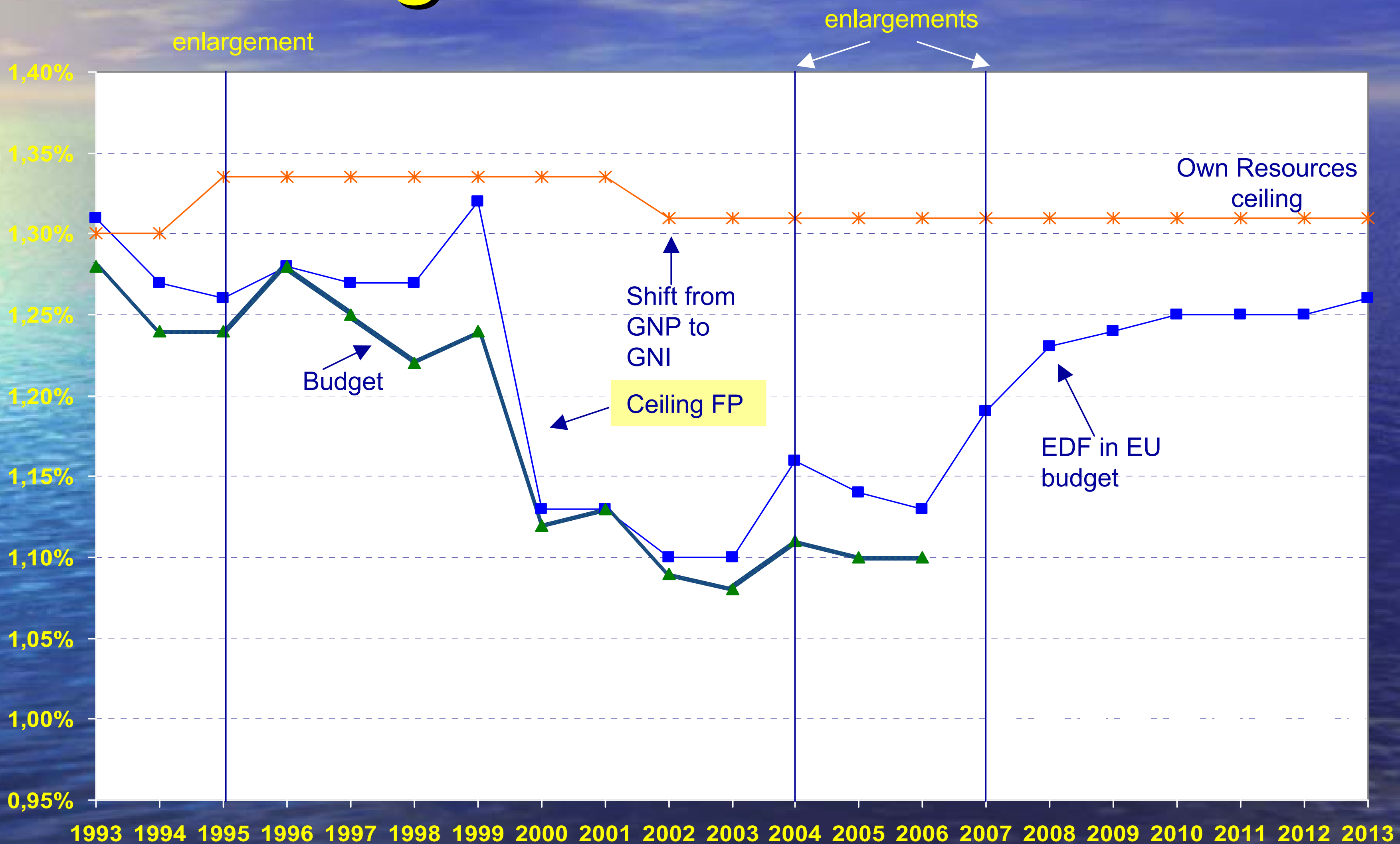
- Transform Union into a competitive knowledge-based economy geared towards sustainable growth
- Preserve and manage the EU's natural resources, agriculture, fisheries and environment
- Develop the area of Freedom, Security & Justice
- Develop the role of the Union as a global partner
- Complete integration of EU 10. Accession of Bulgaria and Romania.

Commitments and payments

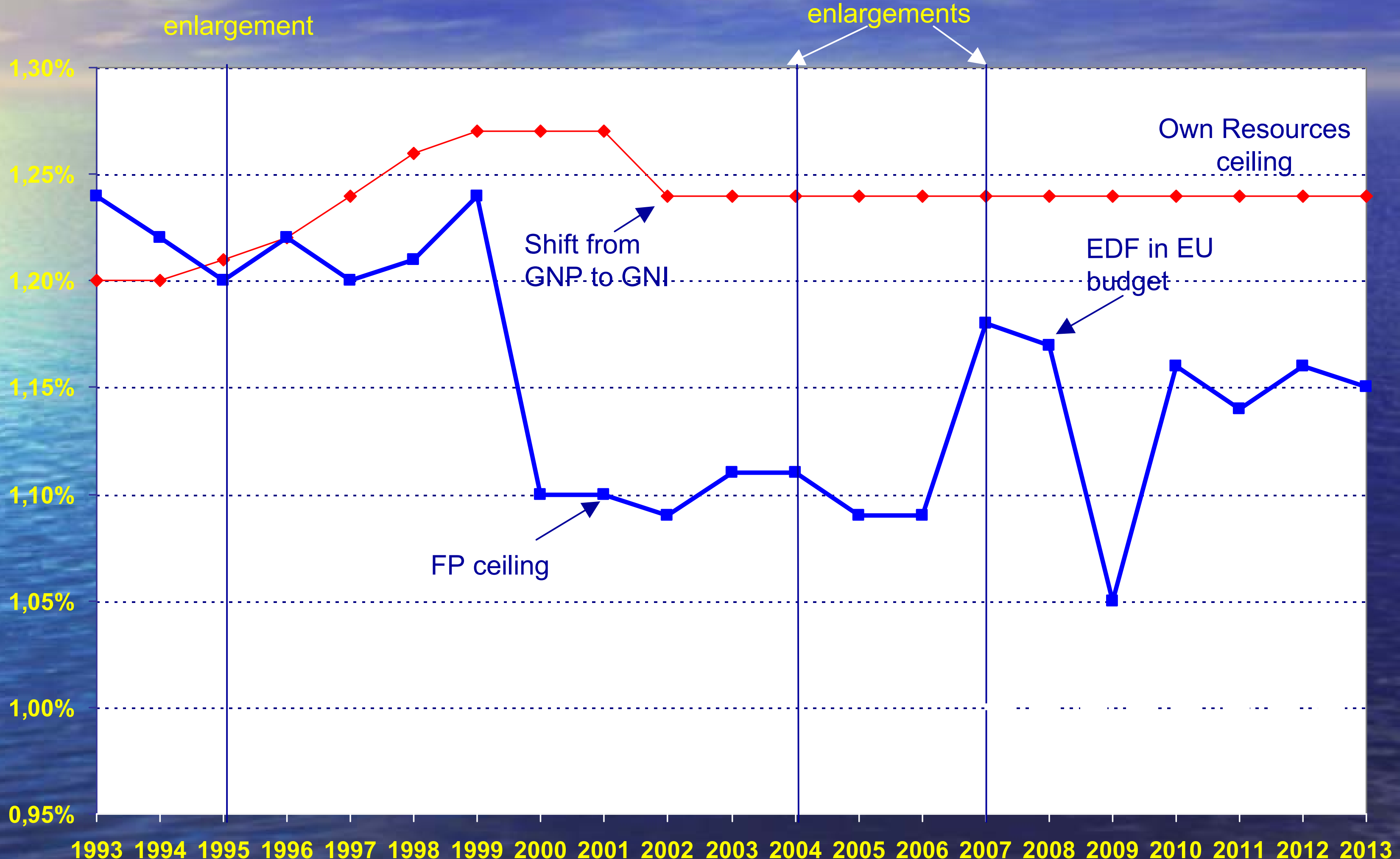
- **Commitment ceiling**: maximum amount of spending obligations that EU can undertake

- **Payment ceiling:** maximum level of actual payments

Ceilings for commitments



Ceilings for payments



Priorities in figures

(commitments in 2004 prices)

	2007-2013 in bn €	Change 2006/13
• Sustainable Growth	472	+ 63%
- **Competitiveness**	**133**	**+194%**
- **Cohesion**	**339**	**+ 33%**
• Natural Resources	405	+ 3%
• Citizenship, security & just. (with EUSF)	25	+ 90%
• EU global partner (with EDF)	92	+ 85%
• Administration	29	+ 31%
• TOTAL (including compens. BG/ROM)	**1 022**	+ 34%
• % of EU GNI in commitments	1.24%	
• % of EU GNI in payments	1.14%	

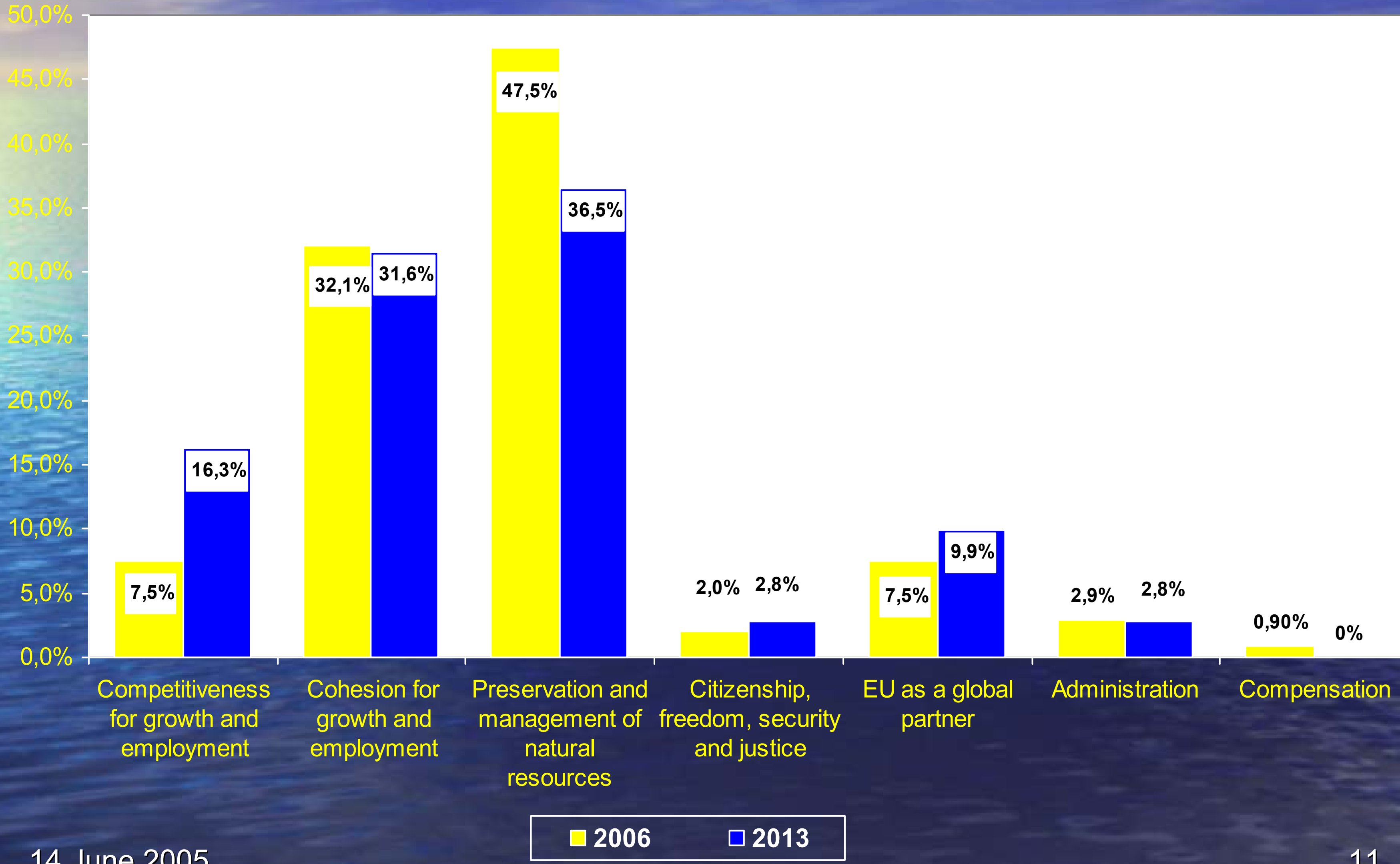
COM proposal <> neg. box

(commitments 2007-2103 in bn € 2004 prices)

	COM	Neg. box
• Sustainable growth	458	379
- **Competitiveness**	**122**	**74**
- **Cohesion**	**336**	**305**
• Natural Resources	400	377
• Citizenship, secur. & just. (excl. EUSF)	15	12
• EU global partner (excl. EDF)	63	51
• Administration	58	51
• TOTAL (incl. compens. BG/ROM, excl. EDF and EUSF)	**994**	**871**
• % of EU GNI in commitments	1.21%	1.06%

Share by heading

(commitments)



History of the UK rebate

The size of some net contributions led to the 1984 Fontainebleau agreement introducing the UK correction

*"…**any** Member State sustaining a budgetary burden which is **excessive** in **relation to its relative prosperity** may benefit from a **correction** at the appropriate time"*

Since 1985 the UK receives a rebate - on average € 4.6 bn/year 1997-2003

UK rebate

- The UK gets 66 cents back for every euro of its negative net balance
- For additional expenditure (e.g. enlargement) the UK only pays 1/3 of the normal cost
- The other Member States finance the rebate in relation to their share in GNI
- D, NL, S, AT pay 25% of their full share

Recent and expected developments

- The UK has become, and is expected to remain, one of the most prosperous Member States
- When expenditure increases, so does the UK rebate
- The existing rebate will 'overshoot' its objective as the UK is expected to become the smallest net contributor to the EU budget
- The burden for all the other Member States will increase significantly

Generalised correction mechanism

- General: Member States with excessive negative net balances will qualify for a partial reimbursement of their excess net contribution.
- Threshold: Net contributions exceeding 0.35% of a country's GNI will be eligible for a 66% reimbursement.
- Equal financing: The cost of the system will be shared by all Member States.
- Limit the cost: The total volume of the correction will be limited to € 7.5 billion per year.

Why a deal in June?

- Current Framework expires end of 2006
- Most programmes expire end of 2006
- It takes 12-18 months to finalise legislation and have new programmes ready for January 2007

What comes next?

- After a political agreement in Council, EP need to approve the Financial Framework in the form of an inter-institutional agreement
- Legal bases must be finalised to authorise spending in annual budgets
- Commission must carry out all programming for funds to be spent from January 2007