EUROPEAN COMMISSION

Multiannual Financial Framework 2007-2013

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Subject: **Impact of the financial framework foreseen by the European Council for 2007-2013**

Following the request of the European Parliament and the Council in view of the preparation of the next trialogue, the Commission has explored some of the possible results of a financial framework as foreseen by the European Council. This fiche indicates what would be some of the likely results.

1. HEADING 1A

The following factors have to be taken into account:

- The European Council conclusions state that funding for research should be progressively enhanced to be around 75% higher in 2013 than in 2006 (§10).
- It also earmarked specific amounts for nuclear decommissioning (§11bis).
- It conclusions also ask that due account should be taken of some priority projects within the Trans-European Networks (§10).

In addition, legal commitments have already been undertaken in a number of areas, such as appropriations related to the Galileo programme and the 2004 decision on transport TENs.

An increase of 66% in heading 1A from 2006 to 2013 would allow for some significant increases in the contribution of the Community budget to investment to support the Lisbon growth and jobs strategy. However, since the overall level of expenditure remains well below the level of ambition originally proposed, a serious reassessment of priorities and a significant reduction in the level of ambition of some programmes is needed.

- The increase in ***research*** spending would inject new resources into the Framework Programme and would allow for important new directions like the European Research Council. On the other hand, actions such as public-private partnerships or new research infrastructures would need to be re-assessed or postponed. EU research in areas like health, energy, information society and nanotechnologies would have less impact. The EU support to excellence through the European Research Council or the researcher mobility programme would not reach its maximum potential. Overall, the Community contribution to the agreed objective of 3% of the Union's GDP spent for Research and Development by 2010 would be substantially smaller than foreseen.

- Support for ***Trans-European networks*** could still be doubled from 2006 to 2013. However, the Union has already embarked on a new approach towards TENs – with, for example, the approval of 30 new priority transport projects. Since this lay behind the Commission's original proposals, this direction would need to be reviewed. A choice would be required. One option would be for resources to be spread thinly around the full list of programmes, with the risk that funds are too small to produce a leverage effect. Even if all available resources were concentrated on the 30 priority projects, the share of EU financing would average only 3-4%. The other option would be to concentrate funds on fewer projects, with the consequence that the remaining projects would not be completed until well after the target date of 2020.

- ***Lifelong Learning*** would see a significant increase. In particular, this would allow the average size of mobility grants to increase. These have stagnated since the early 1990s, making it harder for the less wealthy to take part. However, there would also be other impacts:

    - Due to the rhythm of spending in this area and enlargement to EU-27, the resources actually available for mobility grants in the EU-25 would fall in 2007. Only in 2009 would spending be restored to 2006 levels.

    - Numbers involved in mobility would fall. From 170,000 Erasmus students in 2006, the yearly average would fall to 140,000 students 2007-2013. The 50,000 Leonardo placements in 2006 would fall to only 36,000 in 2013.

    - There would be no room to extend programmes beyond their existing scope. For instance, it had been proposed to include new sectors such as non-teaching staff (Erasmus), adult learners (Grundtvig) and actions in favour of multilingualism.

- The ***Competitiveness and Innovation*** Programme could rise by more than a third from 2006 to 2013. However, support for SMEs as engines for growth and employment would rise only slightly from 2000-2006. Choices would again be required, with a number of actions to be reconsidered: business and innovation support centres, capacity-building for financial markets in the new Member States, and twinning administrations for administrative reform.

2. HEADING 1B

The European Council conclusions raised a series of questions concerning the sound financial management of the Structural Funds and the Cohesion Fund. In particular, they made a distinction between different groups of Member States, most notably between the EU-15 and newer Member States.

3. HEADING 2

The following factors have to be taken into account:

- The European Council conclusions proposed specific earmarking for "pillar one" of the CAP (§60), for rural development (§63), and for the European Fisheries Fund (§64).

- In particular, the conclusions proposed a declining profile 2007-2013 for both "pillar one" and for the other elements of heading 2 expenditure.

Heading 2 would see an 8% reduction over the period. In the main, this results from the reduced envelope for "pillar one" of the CAP. The ceiling foreseen in December would notably imply:

- The trend toward increased spending on rural development would be reversed. Funding for rural development would fall from 2006, with a particular problem with the profile of spending: spending would decline by some 15% from 2007 to 2013, raising the challenge of programming and managing a declining budget.

- The European Fisheries Fund would see a fall in 2007 and by 2013 would be 12% below 2006 levels. The reduction in support would be concentrated in areas outside "convergence" regions (a 17% reduction compared to the current period). Convergence regions would see a rise of 3%.

In addition, the proposed introduction of voluntary transfers to rural development would raise a series of difficulties. This would risk undermining the fundamentals of the two pillars of agricultural policy. It is particularly difficult to see how market measures could be included in such a modulation.

4. HEADING 3A

Heading 3A would see a substantial rise of some 163% from 2006 to 2013 to enable a major increase in activity. However, a 28% reduction from the original proposals means that choices would have to be made. This might in particular involve reductions in support for refugees and migration policies as compared to original proposals.

5. HEADING 3B

The European Council figures gave a marginal rise of 1% to Heading 3B from 2006 to 2013, a 34% reduction on the original proposals. This heading would also face a particular problem. In 2007, the need to accommodate institution-building in Bulgaria and Romania would require a cut in all activities compared to 2006.

- For ***culture and citizenship*** programmes, this would mean that the number of young people supported by the Youth in Action programme would fall by over 22% in 2007. Instead of 1,300 town twinnings in 2006, the Citizens for Europe programme would support only 800 in 2007. Annual and multi-annual projects under Culture 2007 would drop from 148 to 100. Support would then return to 2006 levels and be frozen for the rest of the period.

- The fall in 2007 would pose particular difficulties for the ***Media*** programme, given that 2006 was an atypical transitional year to bridge the gap to the next financial framework. As such, it saw a fall from 2005 levels. As well as freezing the basic level of support from the programme, the budget might call into question the proposed positive discrimination towards newer Member States, as well as support for the European Audiovisual Observatory.

- ***Health and Consumer*** action would also face a particular problem. Two new agencies, the European Centre for Disease Prevention and Control and the European Food Safety Authority, are still in the process of establishing themselves. A choice would have to be made between interrupting the planned development of these agencies, or reducing the funds currently available to health and consumer programmes.

- Similarly, an increase in the EU's ***civil protection*** activities had appeared to enjoy a consensus. These activities would have to be limited to the status quo.

6. HEADING 4

The following factors have to be taken into account

- The European Council conclusions state that the emergency aid reserve will be fixed at € 221 million per year (§71).
- The European Council conclusions state that the loan guarantee fund will be adequately funded as foreseen in the related legislative mechanism (§71)
- The European Council calls upon the budgetary authority to ensure a substantial increase in the Common Foreign Security Policy budget from 2007 in order to meet predictable needs (§73).

Heading 4 would see a 30% increase in funding from 2006 to 2013. This would allow the Union to develop its neighbourhood policy, to increase its development work and to prepare the ground for future accessions. Nevertheless, at 20% less that the original proposals, this would limit the ability of the Union to respond to the expectations for action in a number of areas:

- The contribution of the EU budget to the ***EU's official development assistance*** (ODA) commitments would be reduced. Today, the EU budget provides 20% of EU ODA effort: this share would fall to 13% in 2013. This would increase the burden on Member States to meet the European Council commitment of 0.56% of GNI by 2010 and 0.7% by 2015.

- It would be difficult, particularly in the first years of the new Financial Perspectives, for the Community budget to ensure its burden sharing alongside national budgets of the Union's commitments for ***Iraq, the Palestinian Authority, Afghanistan and Kosovo***.

- It would prove difficult to treat ***candidate countries*** in the same manner as past candidate countries and to ensure that the Western Balkans countries receive the same level of funding as they did under the CARDS programme.

- For the ***neighbourhood policy***, given the need to adequately fund the cross border and regional cooperation, funding to individual neighbours would be put under severe pressure.

- For ***Asia*** and ***Latin America,*** the resources available would only be marginally more than today.

- For **Common Foreign and Security Policy**, it would be difficult to see how the European Council's call for a substantial increase could lead to an increase higher than the Commission's original proposal (62%).

7. HEADING 5

The level of administrative expenditure agreed at the December European Council entails an annual growth rate of 2.4% per year. This would cover additional needs in relation to pensions and the administrative impact of the enlargement to Bulgaria and Romania and would not take into account the need to adjust resources to the evolution of activities.