



EUROPEAN PARLIAMENT

2009 - 2014

*Special committee on the policy challenges and budgetary resources for a sustainable
European Union after 2013*

SURE COMMITTEE

July 2010-June 2011

ACTIVITIES and DOCUMENTS

Volume 2

Key Topics



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Horizontal Issues



European Added Value

**SURE Committee Meeting
23 September 2010
Strasbourg**



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European Union after 2013*

21.9.2010

REFLECTION PAPER

on the concept of European Added Value

Rapporteur: **Salvador GARRIGA POLLEDO**

1. Introduction

Against the background of scarce resources and austerity programmes in literally all Member States, European expenditure has to be justified even more thoroughly than in the past.

It seems worth reminding that EU expenditure, by creating European added value, is supposed to contribute to achieving agreed policy targets more effectively, which could also reduce the need for parallel national expenditure .

The purpose of this reflection paper is to examine the concept of European added value with regard to its current use, its operability in European decision making processes and its political semantics in a moment when Europe moves from the Lisbon Agenda to EU2020.

European Added Value or European Value Added:

These enigmatic words are often used, unfortunately also in an inflationary way. Their multi-purpose use bears the risk that the phrase is turns into "fashionable buzz-words"² that quickly lose their meaning.

2. European added value, the little sister of the principle of subsidiarity

In his working document from 6 May 2010, the Chairman of the Committee on Budgets explores the idea of a "European dividend", which is created by "applying the principle of subsidiarity in financial matters." The European dimension can "maximise the efficiency of [Member States'] finances" and help to "reduce total expenditure. This is exactly what large industrial groups do: they pool common services to benefit from the economies of scale."³

In fact, the European Added Value can be considered the "corollary of the established principle of subsidiarity"⁴ as defined in Article 5 TEU:

3. Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level.

As a consequence, the EU budget should be used to finance actions that Member States and regions cannot finance themselves with better results.

In other words, expenditure at EU level should be able to make proof of its European added value, following the "subsidiarity check".

² D. Tarschys: The Enigma of European Added Value (SIEPS 2005)

³ A. Lamassoure: [Working document DT\815212](#) on financing the 2020 Agenda despite the budgetary crisis

⁴ D. Tarschys: op. cit.

However, it is worth recalling the conclusions of the European Convention's [Working Group 1 on the principle of subsidiarity](#)):

The Group considered that as the principle of subsidiarity was a principle of an essentially political nature, implementation of which involved a considerable margin of discretion for the institutions (considering whether shared objectives could "better" be achieved at European level or at another level), monitoring of compliance with that principle should be of an essentially political nature and take place before the entry into force of the act in question

With the entry into force of the Lisbon Treaty, this subsidiarity-check has been anchored in the TEU (Article 5 as well as Protocol No.1 on the role of National Parliaments in the European Union).

It could be argued that the assessment of European added value is of political nature as well, and that the need for "a considerable margin of discretion for the institutions" is obvious also in this context.

3. Europe is not a zero-sum game

European added value is hard to define and rarely quantifiable. However, there is a consensus that European action has added value: European integration is not a zero-sum game.

Maintaining peace on our continent and other obvious advantages of European integration are difficult to assess in monetary terms. Nevertheless they can be considered undisputable elements of European added value.

Some studies have tried to calculate the benefits of integration. For instance, an analysis of the economic benefits of the internal market comes to the conclusion that "*the enlarged Internal Market (including liberalisation of network industries) is an important source of growth and jobs. As a result of the progress made over the period 1992-2006 in achieving an enlarged Internal Market of 25 Member States, GDP and employment levels have increased significantly. The estimated "gains" from the Internal Market in 2006 amount to 2.2% of EU GDP (or 223 billion euro) and 1.4% of total employment (or 2.75 million jobs).*"⁵

The recent undertaking to install a European External Action Service will also create tangible savings, because many of the current diplomatic services representing the 27 Member States will be replaced.⁶

It could be argued that EAV is not the right tool to make political choices. When deciding between different policies competing for scarce resources, focussing solely on EAV can lead to comparing apples with pears.

⁵ [Commission staff paper, DG ECFIN](#) (2007):

⁶ The same is possibly true for some of the European agencies, at least in cases where they actually replace similar bodies on national level (e.g. the Office for Harmonisation in the internal market, which is responsible for European Trademarks)
http://ec.europa.eu/dgs/secretariat_general/evaluation/docs/decentralised_agencies_2009_part1_en.pdf

However, even if quantitative assessments remain problematic, the concept of EAV is valuable for justifying the choices made. In addition, it can be used, at least on a qualitative basis, when it comes to defining the best instruments for a given aim, once the basic political choice has been taken, or as a management tool used for comparing alternatives within a given policy.

4. The concept of European added value in relation to the current MFF

During the preparation of the current MFF 2007-2013, the concept of added value played a prominent role.

In its Communication "Building our common Future", the European Commission insisted that *"is not about redistributing resources between Member States. It is about how to maximise the impact of our common policies so that we further enhance the added value of every euro spent at European level"*⁷.

In its meeting of 16/17 December 2004, the European Council confirmed that "(...) policies agreed in accordance with the Treaty shall be consistent with the principles of subsidiarity, proportionality and solidarity. They should also provide added value (...)"⁸.

In its resolution on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, also the European Parliament underlined that *"the Financial Perspective can allow for balanced development of the financial resources allocated to the Union provided that they are used for actions with real European added value, clearly defined priorities and visibility for citizens (...)"*⁹.

⁷ The choices to be made on the next financial perspectives are not just about money. It is a question of political direction, to be made on the basis of a clear vision of what we want to do. These choices will determine whether the European Union and its Member States are able to achieve in practice what European people expect. This means a new phase for the Union's budget. It is not about redistributing resources between Member States. It is about how to maximise the impact of our common policies so that we further enhance the added value of every euro spent at European level ([COM\(2004\) 101 final](#)).

⁸ The European Council confirmed that the new Financial Framework, to be agreed in comprehensive negotiations, should provide the financial means necessary to address effectively and equitably future challenges, including those resulting from disparities in the levels of development in the enlarged Union. Policies agreed in accordance with the Treaty shall be consistent with the principles of subsidiarity, proportionality and solidarity. They should also provide added value. Expenditure for individual policy areas must be seen in the context of the overall expenditure level, and such expenditure must be seen in the context of the overall negotiation including the question of own resources. [European Council, Presidency Conclusions](#) – Brussels, 16/17 December 2004

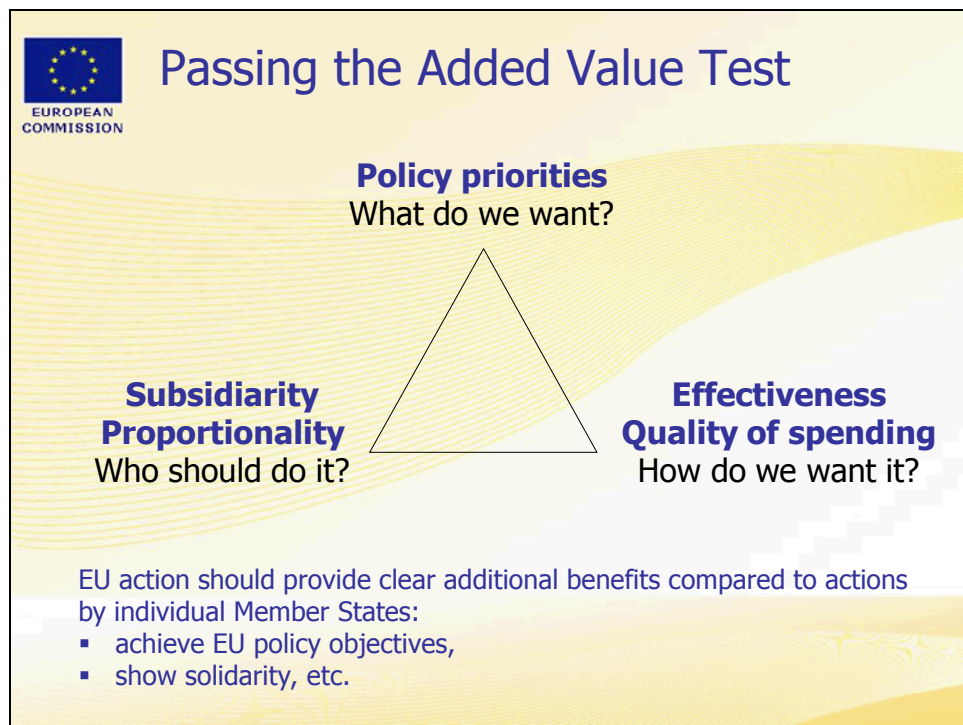
⁹ 7. Is convinced that the Financial Perspective can allow for balanced development of the financial resources allocated to the Union provided that:

- they are used for actions with real European added value, clearly defined priorities and visibility for citizens,
- they optimise concentration and complementarity with actions run at national, regional and local level to limit as much as possible the burden on taxpayers,
- they are spent under rules of sound financial management, focusing on efficiency and effectiveness; notes that expenditure effected at European level may give rise to savings

More recently, the European Parliament declares being "*convinced that EU spending should concentrate on policies with a clear European added value, fully in line with the principles of subsidiarity, proportionality and solidarity; recalls that in a time of crisis this added value is measured largely in terms of the fundamental principle of solidarity between European peoples*"¹⁰

According to the Commission President Barroso, "Europe offers real added value", but "we need to spend our money where we get the most value for it."¹¹ The Commission proposes that EU spending should "meet the added value test" when it fulfils three conditions:

- policy relevance (the spending addresses the Union's key objectives)
- subsidiarity (transnational or cross-border actions, economies of scale)
- proportionality (assessment of effectiveness and efficiency of delivery)



Source: European Commission

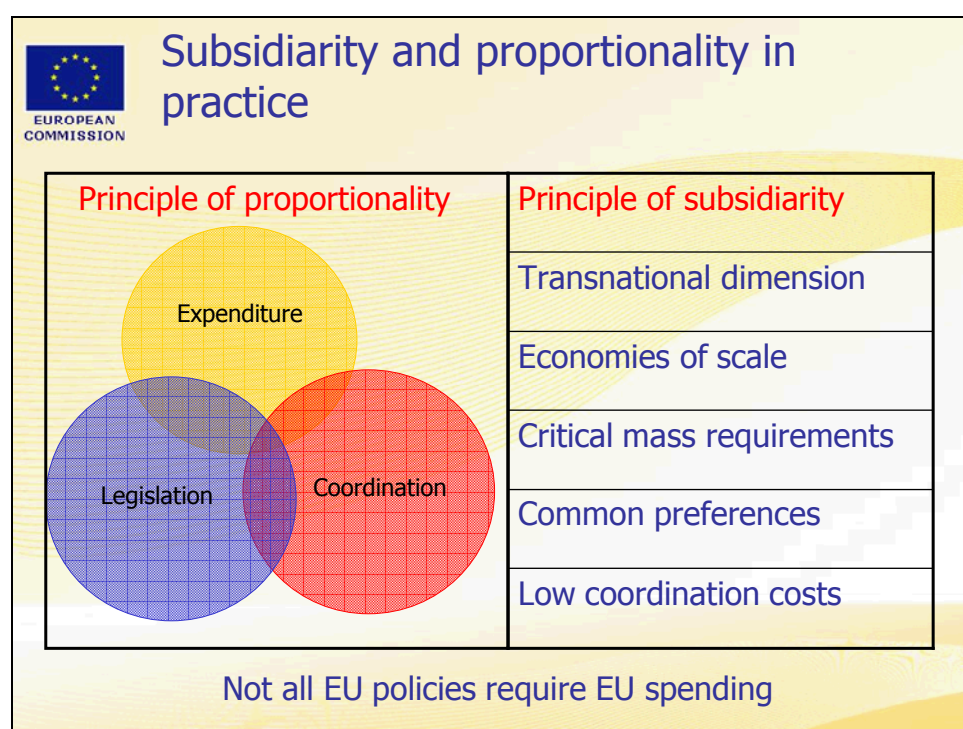
at national level, in particular because such expenditure makes for economies of scale or may generate revenue at national level;

[\(2004/2209\(INI\)\) as adopted on 8 June 2005](#)

¹⁰ European Parliament [resolution of 25 March 2009](#) on the Mid-Term Review of the 2007-2013 Financial Framework (2008/2055(INI))

¹¹ José Manuel Barroso: Debate on the State of the Union. [European Parliament, 07.09.2010](#)

In addition, it should be highlighted that European added value can be generated not only by spending European expenditure, but also by coordination of national policies and by European legislation (see [Commission roadshow presentation](#)).



Source: European Commission

5. European added value as operational tool in management and implementation

Commission Services are required to assess "the added value of Community involvement" in the framework of an *ex-ante evaluation* in the preparation of proposals for new or renewed Community actions.¹²

In addition, in the yearly "*Activity statements* of operational expenditure", issued as working document along with the DB, the Commission describes the "EU added value of the activity" for each chapter of the Commission's expenditure. At first sight, the methodology for assessing European added value seems to vary significantly between the policy areas.

For instance, the added value of European *Energy policy* is described by contributing to the aims of increasing the "security of energy supply", gradually "establishing the energy internal market", "contributing to sustainable development by rational use of energy resources and the development and connection of renewable energy sources", increasing the interconnection of energy networks and harmonising the management of the European electricity grid,... In the context of "TEN-Energy, the European Community plays a role of catalyst of the efforts made by the member states and the electric and gas companies".

¹² Implementing rules of the [Financial regulation](#) (Commission Regulation (EC, Euratom) No 2342/2002), Article 21; DG BUDG (2005): Evaluating EU activities. [A practical guide for the Commission services](#);

Beyond the general requirements of ex-ante evaluation, several EU policies require proof of European added value in the context of the selection of projects:

Research: Since FP5, the concept of European added value is part of the legislative Framework programme for research. It constitutes a binding criterion for the selection of projects (and, to a lesser extent, for the formulation of research programmes). In general it is agreed that EU funded research has a "high added value by encouraging researches to cooperate across national boundaries and to share complementary skills and knowledge", that it "promotes competition in research, leading to higher quality and excellence" and that it "may make possible projects that, because of their complexity and scale, go beyond what is possible at national level"¹³.

However, when it comes to monitoring and evaluating European added value in a **quantitative** way for specific programmes and projects, experts speak about a "*mission impossible*"¹⁴

Culture/Communication: European added value shall be described by the applicants to programmes such as "Europe for Citizens". While there is a broad consensus that cultural and educational exchange programmes like Lifelong Learning have a strong added value by increasing citizens' mobility and by contributing to a "European identity", it seems that a quantitative assessment of European added value is rather problematic.

6. From Lisbon Strategy to EU 2020: The political semantics of European added value

European integration develops in a continuous tension between a national and a European perspective, in a changing balance between (evolving) interests of different member states and a fragile interinstitutional setting.

Therefore it could be discussed in the SURE committee how the connotations linked to the concept of European added value in 2004 (Lisbon agenda) have developed with regard to the current political priorities of the EU. This debate is held in the framework of EU 2020 (including concepts like smart, sustainable and inclusive growth), but it will probably also need to address issues linked to the changes in European decision making and instruments through the Lisbon Treaty (climate change, energy, EEAS, space policy). In addition, current political priorities are likely to be discussed in regard of their European added value (e.g. the increased European coordination of the budgets of the member states¹⁵).

Finally, the committee might also consider useful to discuss policy fields where European added value could be created by strengthening the synergies between national and European activities (European development fund, common foreign policy, etc), in a view to overcoming the focus on net balances of member states' contributions and revenue.

¹³ G. Cipriani: Rethinking the EU budget. CEPS (2007)

¹⁴ Yellow Window Management Consultants (2000): Identifying the constituent elements of the European Added Value (EAV) of the EU RTD programmes: conceptual analysis based on practical experience. Study commission by DG Research, European Commission

¹⁵ http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/116306.pdf

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The EU 2020 strategy

Exchange of views on the
Implications of the EU2020 strategy on
the post-2013 Multiannual Financial Framework

SURE Committee Meeting
14 October 2010
Brussels

Public Hearing
29-30 November
"The role of the EU budget in achieving the Europe 2020
goals"



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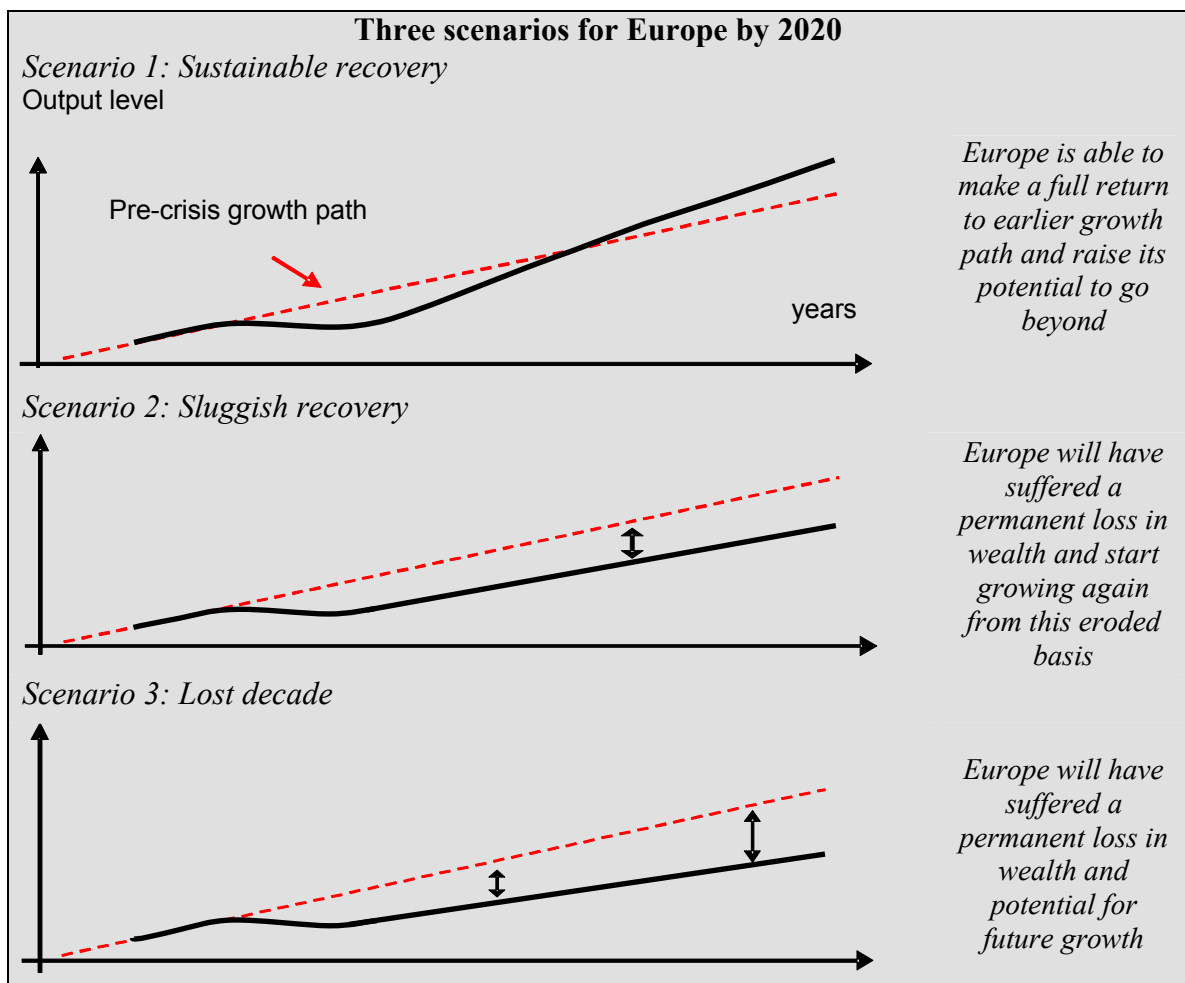
REFLECTION PAPER

on Implications of the EU2020 strategy on the post-2013 Multiannual
Financial Framework

Rapporteur: **Salvador GARRIGA POLLEDO**

INTRODUCTION

The steady gains in economic growth and job creation witnessed over the last decade have been wiped out – GDP fell by 4% in 2009, industrial production dropped back to the levels of the 1990s and 23 million people - or 10% of the active population - are now unemployed. The crisis has also made the task of securing future economic growth much more difficult. Our growth potential has been halved during the crisis. Many investment plans, talents and ideas risk going to waste because of uncertainties, sluggish demand and lack of funding. Europe is left with clear yet challenging choices. Either we face up collectively to the immediate challenge of the recovery and to long-term challenges, regain competitiveness, boost productivity and put the EU on an upward path of prosperity ("sustainable recovery"). Or we continue at a slow and largely uncoordinated pace of reforms, and we risk ending up with a permanent loss in wealth, a sluggish growth rate ("sluggish recovery") possibly leading to high levels of unemployment and social distress, and a relative decline on the world scene ("lost decade").



Source: European Commission (COM(2010)2020))

What is needed is a strategy to turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. This is the Europe 2020 strategy.

The aim of this reflection paper is to stimulate discussion in the SURE Committee on the implications of the EU 2020 strategy on the post-2013 Multiannual Financial Framework.

The EU institutions, notably the European Parliament, have paid utmost attention to the EU2020 strategy proposal by the Commission. They have already expressed their general views on the strategy and are starting to address its different sectoral dimensions. In this regard, it is worthwhile recalling that there are ample references in Parliament's recently adopted resolutions to aspects related to the funding of EU2020 and to the implications on the post-2013 Multiannual Financial Framework (MFF). To better inform the discussion a collection of relevant excerpts from position documents from the different EU institutions and bodies is included in Annex.

On the basis of the analysis of the Commission's proposal and of the reactions of the EU institutions and bodies, a number of issues are identified and suggested for discussion. These issues fall under four main horizontal categories: **alignment of the next MFF with the EU2020 strategy; setting of priorities; role of national budgets; and qualitative aspects of expenditure.**

Your rapporteur looks forward to a rich and productive discussion in Committee on the basis of which he would be able to draft a useful Working Document that could be broadly shared by the Members of the Committee.

SUCCINCT SUMMARY OF EU 2020

The European Commission, following a wide public consultation and an evaluation of the Lisbon strategy¹⁶, adopted on 3 March 2010 its proposal (COM(2010)2020)¹⁷ on EU2020. According to the Commission *"We need a strategy to help us come out stronger from the crisis and turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. Europe 2020 sets out a vision of Europe's social market economy for the 21st century"*.

The Commission puts forward three mutually reinforcing priorities and seven flagship initiatives to catalyse progress under each priority theme:

- **Smart growth**: developing an economy based on knowledge and innovation. This includes research, innovation, cohesion, rural development, education, training and lifelong learning, and digital society policies. Three flagship initiatives fall under this objective:
 - "Innovation Union";
 - "Youth on the move"; and
 - "A digital agenda for Europe".
- **Sustainable growth**: promoting a more resource efficient, greener and more competitive economy. This includes industrial, cohesion, rural development, climate change, transport, and energy policies. Two flagship initiatives fall under this objective:
 - "Resource efficient Europe"; and

¹⁶http://ec.europa.eu/archives/growthandjobs_2009/pdf/lisbon_strategy_evaluation_en.pdf

¹⁷<http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>

- "An industrial policy for the globalisation era".
- **Inclusive growth**: fostering a high-employment economy delivering social and territorial cohesion. This includes cohesion, employment, skills, and fighting poverty policies. Two flagship initiatives fall under this objective:
 - "An agenda for new skills and jobs"; and
 - "European platform against poverty"

The Commission also proposes 5 headline targets to define where the EU wants to be by 2020 and to track progress. To ensure that each Member State tailors the EU2020 strategy to its particular situation, these EU targets should be translated into national targets and trajectories:

- 75 % of the population aged 20-64 should be employed.
- 3% of the EU's GDP should be invested in R&D.
- The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right).
- The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree.
- 20 million less people should be at risk of poverty.

According to the Commission, EU-level instruments, notably the single market, financial levers and external policy tools, should be fully mobilised to tackle bottlenecks and deliver the Europe 2020 goals.

1. ALIGNMENT OF THE POST-2013 MFF WITH EU2020

There is widespread agreement among the Institutions of the need to mobilise all EU instruments and policies to achieve the objectives of the EU2020 strategy. Furthermore, Parliament has underlined that the EU Budget must play a central role in achieving the EU2020 targets and that the current budget does not sufficiently reflect the financial needs associated with tackling 21st century challenges.

The aim of aligning EU expenditure with the EU 2020 goals has been clearly expressed by the Commission: *"The Commission will propose action to develop innovative financing solutions to support Europe 2020's objectives by fully exploiting possibilities to improve the effectiveness and efficiency of the existing EU budget through stronger prioritisation and better alignment of EU expenditure with the goals of the Europe 2020 to address the present fragmentation of EU funding instruments (e.g. R&D and innovation, key infrastructure investments in cross-border energy and transport networks, and low-carbon technology)..."*.

In this respect, the allocation of the 2011 Draft Budget appropriations to EU 2020 Flagships is, according to the Commission¹⁸, the following:

% of Heading 1a supporting EU2020 Flagships	86%
% of Heading 1b supporting EU2020 Flagships	67%
% of Heading 2 supporting EU2020 Flagships	18%
% of Rural Development	70%
% of Heading 3a supporting EU2020 Flagships	11%
% of Heading 3b supporting EU2020 Flagships	25%
% of Heading 4 supporting EU2020 Flagships	10%
% of Headings 1 to 4 supporting EU2020 Flagships	43%

The European Council has also underlined the need of all common policies to support the strategy *" All common policies, including the common agricultural policy and cohesion policy, will need to support the strategy. "*

The contribution of the Common Agricultural Policy (CAP) and of the Cohesion policy to EU2020 has received so far particular attention in communications and resolutions by the Commission, the Parliament and the Committee of the Regions.

Regarding CAP, the Commission has underlined its contribution to the objective of sustainable growth, more specifically its contribution to *"address climate change, in particular through adaptation measures based on more efficient use of resources, which will also contribute to improving global food security"*. It could be interpreted that Parliament has gone beyond a mere contribution of CAP to the strategy: *"CAP reform by 2013 and a sustainable forestry strategy should be considered within the framework of the EU2020 strategy"*.

¹⁸ Letter of Mr Lewandowsky to Ms Jedrzejewska of 20 August on the financing of the EU 2020 strategy in the EU 2011 Budget

As of Cohesion policy, the Commission declares that *"economic, social and territorial cohesion will remain at the heart of the Europe 2020 strategy to ensure that all energies and capacities are mobilised and focused on the pursuit of the strategy's priorities. Cohesion policy and its structural funds, while important in their own right, are key delivery mechanisms to achieve the priorities of smart, sustainable and inclusive growth in Member States and regions."* Parliament shares the view that it is an effective and efficient mechanism for EU2020 delivery but *"stresses that the cohesion policy is not subordinated to the EU2020 Strategy; highlights that whilst the cohesion policy's priorities should be aligned with the EU2020 objectives, sufficient flexibility should be allowed to accommodate regional specificities and support the weaker and neediest regions to overcome their socio-economic difficulties, natural handicaps and reduce disparities"*. Parliament furthermore considers that *"a strong and well-financed cohesion policy, embracing all European regions, must be a key element of the EU2020 Strategy"* and that it is *"unnecessary to create new separate thematic funds to address the EU2020 goals and instead deems that they should be included in cohesion and rural development policies"*.

Against this background I suggest structuring the discussion on this theme around the following questions.

EU2020 budget alignment

- *Should the EU2020 strategy be the strategic policy reference of the post-2013 MFF?*
- *Should the three EU2020 broad objectives determine the structure of the post-2013 MFF? Should there be one heading per objective? Or should there be an earmarking for EU2020 objectives across "classical" headings?*
- *How should the EU2020 related expenditure be defined? How to distinguish between flagship-related expenditure and broader EU2020 expenditure? Does the preliminary 2011 DB Commission's allocation to flagships provide a proper account of the budgetary dimension of the strategy?*
- *How should be the EU2020 strategy and its corresponding budget be adapted to changing policy needs? How important should be budget flexibility within and across EU2020 objectives?*
- *Should cohesion policy and the EU2020 Strategy be integrated? Should cohesion policy be subordinated to the EU2020 Strategy or sufficient flexibility should be allowed to accommodate regional specificities?*
- *Should rural development policy be considered within the framework of the EU2020 strategy? To what extent should CAP (first pillar) also be considered within the strategy?*
- *Should the external dimension of the EU2020 strategy be financed under the respective sectoral policies or under the external policies heading?*
- *Should all the administrative expenditure be included in a single Heading?*

2. SETTING OF PRIORITIES

Parliament has in its EU2020 related resolutions already identified a number of policies that should be granted with more budgetary resources. A non-exhaustive list of priorities includes:

- research (double ICT research) and innovation (green technologies, broadband);
- space: completing Galileo
- energy: key energy infrastructure investments (European energy grid, green corridors, interconnectors), energy efficiency;
- transport: TEN-T, decarbonising the transport sector;
- education and youth.

Priority setting

- *Should the post-2013 MFF support a lower number of policy objectives than the current one? Or should the prioritisation mainly take place within each policy area?*
- *Could the concept of European added value (EAV) help to prioritise across policy objectives or within them?*
- *How should the Commission justify that subsidiarity and proportionality (expenditure is the best option) are complied with in the MFF proposal?*

3. THE ROLE OF NATIONAL BUDGETS

The EU2020 strategy commits both the EU and the Member States. The strategy will succeed if Europe acts collectively, as a Union. There is a strong need for better synergy between EU and national level spending, while respecting subsidiarity. Although the EU and the Member States coordinate their policies through a wide range of formal (e.g. BEPG, OMC) and implicit mechanisms, budget synergies are rarely put into practice. According to a study procured by Parliament¹⁹, national budgets, apart from some exceptions – mainly found in regional policy – seldom refer to their contribution to achieving the objectives of the Lisbon or other EU strategies.

The new economic and budgetary policy coordination mechanism (so-called "European semester") endorsed by the ECOFIN Council on 7 September²⁰ could offer an effective opportunity to achieve the desired budgetary synergies. Under this new six-month cycle, Member States, taking the advice of the European Council on the main economic challenges into account, will review in April their medium-term budgetary strategies and at the same time draw up national reform programmes. In June and July, the European Council and the Council will provide policy advice before the member states finalise their budgets for the following year.

The Role of National Budgets

¹⁹http://www.ipolnet.ep.parl.union.eu/ipolnet/webdav/site/myjahiasite/shared/bss/regulatory_and_other_qu estions/14052010_synergy_between_european_national_budgets_final_report.pdf

²⁰http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/116306.pdf

- *How could national budgets be better aligned with the EU2020 strategy? How could be ensured that there is no overlapping between EU and national expenditure so that the best added value of the Union expenditure can be derived?*
- *Should Member States include in their medium-term budgetary strategies an overview of their financial commitments and efforts to the realisation of the EU2020 objectives?*
- *Should co-financing be used more to improve budget synergy? Should more funds be allocated to joint programming of national programmes?*
- *Does the absence of an agreed Europe-wide standard budget complicate the search for synergy? Does the length and timing of budget cycles make things more difficult?*
- *Which role could the cooperation between the European and the National Parliaments play for improving medium-term budgetary synergy?*

3. QUALITY OF EXPENDITURE

According to the Commission the MFF discussion *"should not only be about levels of funding, but also about how different funding instruments such as structural funds, agricultural and rural development funds, the research framework programme, and the competitiveness and innovation framework programme (CIP) need to be devised to achieve the Europe 2020 goals so as to maximise impact, ensure efficiency and EU value added."*

We need to ensure that the policies pursued are legally justified, respect the principle of subsidiarity but also that they are carried out, in accordance with the principle of proportionality, in the optimal way to achieve the intended results. In each instance it should be assessed which is the best policy-mix to attain the objectives: legislation, coordination, expenditure or a combination of these. Should the recourse to funding be justified, the establishment of the level of funding is strongly related to the design of the spending programme, to how efficiently it can turn euros into intended results. This leads the rapporteur to propose the following topics for discussion:

Quality of expenditure

- *To what extent should EU funding be conditional on compatibility with the EU2020 strategy?*
- *Should the funding level of programmes under the post-2013 MFF take into account the performance record of the current spending programmes (mid-term evaluation)?*
- *Should the funding level of programmes under the post-2013 MFF be reviewed depending on results or performance?*
- *Should the level of EU funding be conditional on the introduction of reforms (e.g. simplification in Research Framework Programme)? How could the discussion on the allocation of financial resources (MFF) and programme design (legislative proposals of new multiannual spending programmes) be coordinated?*

ANNEX
DOCUMENTS FROM EU INSTITUTIONS AND BODIES REGARDING THE EU2020
STRATEGY

As background to the discussion, this Annex provides excerpts from recent resolutions of the European Parliament, conclusions from the European Council and opinions of the Committee of the Regions and the Economic and Social Committee related to the implications of the EU2020 strategy on the post-2013 MFF. They are grouped around the four horizontal issues identified. The following documents have been examined:

European Council conclusions (EC2) http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/115346.pdf	17 June 2010
European Parliament resolution on EU 2020 (EP5) http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0223+0+DOC+XML+V0//EN	16 June 2010
European Parliament resolution on Community innovation policy in a changing world EU 2020 (EP4) http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2010-0143+0+DOC+XML+V0//EN	15 June 2010
Resolution of the Committee of the Regions on the stronger involvement of Local and Regional Authorities in the Europe 2020 strategy (COR) http://portal.cor.europa.eu/europe2020/news/Documents/CdR_199-2010_fin_EN.doc	10 June 2010
European Parliament resolution on a Digital Agenda for Europe: 2015.eu (EP3) http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2010-0066+0+DOC+XML+V0//EN	25 May 2010
European Parliament resolution on the contribution of the Cohesion policy to the achievement of Lisbon and the EU2020 objectives (EP2) http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0191+0+DOC+XML+V0//EN	20 May 2010
European Council conclusions (EC1) http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/113591.pdf	25/6 March 2010
European Parliament resolution on EU 2020 (EP1) http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0223+0+DOC+XML+V0//EN	10 March 2010
Communication from the Commission EUROPE 2020 A strategy for smart, sustainable and inclusive growth (COM) http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf	3 March 2010
Opinion of the European Economic and Social Committee on the post-2010 Lisbon Strategy (EESC) http://www.eesc.europa.eu/?i=portal.en.news.10090	4 November 2009

1. ALIGNMENT OF THE POST-2013 MFF WITH EU2020

General aspects

"The Commission will propose action to develop innovative financing solutions to support Europe 2020's objectives by fully exploiting possibilities to improve the effectiveness and efficiency of the existing EU budget through stronger prioritisation and better alignment of EU expenditure with the goals of the Europe 2020 to address the present fragmentation of EU funding instruments (e.g. R&D and innovation, key infrastructure investments in cross-border energy and transport networks, and low-carbon technology)....;" (COM)

"Today we adopt "Europe 2020", our new strategy for jobs and smart, sustainable and inclusive growth. It constitutes a coherent framework for the Union to mobilise all of its instruments and policies and for the Member States to take enhanced coordinated action. It will promote the delivery of structural reforms. The emphasis must now be on implementation, and we will guide and monitor this process. We will discuss further, over the coming months, how specific policies can be mobilised to unlock the EU's growth potential, starting with innovation and energy policies;" (EC2)

"5. g) All common policies, including the common agricultural policy and cohesion policy, will need to support the strategy. A sustainable, productive and competitive agricultural sector will make an important contribution to the new strategy, considering the growth and employment potential of rural areas while ensuring fair competition. The European Council stresses the importance of promoting economic, social and territorial cohesion as well as developing infrastructure in order to contribute to the success of the new strategy." (EC1)

"25. Recognises that the EU Budget must play a central role in achieving the EU 2020 targets;..." (EP2)

"33. Takes the view that the current budget does not sufficiently reflect the financial needs associated with tackling 21st-century challenges; urges the Commission to put forward an ambitious proposal to make the EU 2020 strategy a success;" (EP1)

"3.9.1. Reform the EU budget in accordance with Lisbon: Generally speaking, the budgets of individual policies need to be re-evaluated in line with Lisbon and geared towards research and competitiveness, environment and climate, investment in sustainable energy use; constructive public spending in the business location, active labour market policy, work/family life balance, social cohesion, poverty prevention and creating new, high-quality jobs. In connection with this, a reform-based discussion on the EU budget relating to Lisbon should also be given consideration in the forthcoming 2014-2020 financial framework. An effective implementation of European targets will also require that the consolidation of the regional dimension is included as a key topic in the discussion on the funding of structural and cohesion policy after 2013." (EESC)

Common Agricultural Policy

"9. Is disappointed that no mention was made of the agricultural sector in the original proposals for the EU 2020 strategy, despite agriculture's potential to make an active contribution to meeting the main challenges ahead; is convinced that, with the right policy framework and adequate budgetary resources, agriculture and forestry can play an important role in the overall European strategy designed to secure economic recovery and achieve climate targets, while at the same time contributing to EU and global food security, growth and job creation;" (EP1)

"63. Points out that CAP reform by 2013 and a sustainable forestry strategy should be considered within the framework of the EU 2020 strategy; is convinced that, with the right policy framework and adequate budgetary resources, agriculture and forestry can play an important role in an overall European strategy to secure economic recovery, while at the same time contributing to EU and global food security, preserving the rural landscape, which accounts for 90% of the EU's territory, ensuring the protection of jobs in rural areas, securing environmental benefits and making an important contribution to the search for alternative resources;" (EP5)

Cohesion Policy

"Economic, social and territorial cohesion will remain at the heart of the Europe 2020 strategy to ensure that all energies and capacities are mobilised and focused on the pursuit of the strategy's priorities. Cohesion policy and its structural funds, while important in their own right, are key delivery mechanisms to achieve the priorities of smart, sustainable and inclusive growth in Member States and regions." (COM)

"25. ...considers that cohesion policy due to its strategic focus, strong and binding conditionality, tailor-made interventions, and monitoring and technical assistance, is an efficient and effective mechanism for EU2020 strategy delivery;" (EP2)

"28. Emphasises that a strong and well-financed cohesion policy, embracing all European regions, must be a key element of the EU2020 Strategy; believes that this policy, with its horizontal approach, is a pre-condition for the successful delivery of the EU2020 goals, as well as for achieving social, economic and territorial cohesion in the EU; rejects all attempts to renationalise the cohesion policy and asks for the regional dimension to be fully supported in the review of the EU budget;" (EP2)

"30. Stresses that the cohesion policy is not subordinated to the EU2020 Strategy; highlights that whilst the cohesion policy's priorities should be aligned with the EU2020 objectives, sufficient flexibility should be allowed to accommodate regional specificities and support the weaker and neediest regions to overcome their socio-economic difficulties, natural handicaps and reduce disparities;" (EP2)

"37. Believes, however, that the Union should continue to use, as its main financing mechanisms, the Cohesion Fund and structural funds, which have well-established and operational delivery methods; considers it unnecessary to create new separate thematic funds to address the EU2020 goals and instead deems that they should be included in cohesion and rural development policies;" (EP2)

"2. emphasises that Cohesion policy, with its devolved approach and system of multilevel governance, is the only European Union policy to link the goals of the Europe 2020 strategy and the new challenges with local and regional authorities, but it does need sufficient funding. It is therefore essential that cohesion policy continue to be geared towards the goals of sustainable economic growth, social inclusion, employment, fight against climate change and the quality and efficiency of public service provision;" (COR)

External dimension

"5. h) The strategy will include a strong external dimension, to ensure that EU instruments and policies are deployed to promote our interests and positions on the global scene through participation in open and fair markets worldwide." (EC2)

"64. Stresses that more attention should be paid to the external dimension of the EU 2020 strategy; urges the Commission to take a broader and more comprehensive approach in its external action, in line with the EU concept of policy coherence for development; calls on the Commission to use its trade strategy for EU 2020 to promote the Union's core values, such as the promotion of human rights, democracy, the rule of law and fundamental freedoms and the defence of the environment;" (EP5)

2. SETTING OF PRIORITIES

"41. Believes that the EU should embark on major economic projects, such as a truly European energy grid, completion of the Galileo project and the widespread application of green technology, including systematic renovation of the EU's building stock, e-health and efforts to improve and update ICT infrastructure;" (EP1)

"21. Calls for a strengthened European approach to financing innovation and to prevent the current fragmentation and short-termism; considers that the provision of adequate financial resources is vital to the development of innovation and that the EU budget for innovation should therefore be substantially increased; calls for this to be reflected in the upcoming revision of the current financial framework and in the planning process in connection with the 2014-2020 Financial Perspective;..." (EP4)

"26. Emphasises that Europe should be at the cutting edge in the development of internet technologies and ICT low-carbon applications; proposes that the EU ICT research budget be doubled in the next Financial Perspective;" (EP4)

"50....proposes that the EU ICT research budget be doubled and that the budget for ICT take-up be multiplied by four in the next Financial Perspective;" (EP3)

"19. Emphasises that major R&D projects, key energy infrastructure investments and the new EU competence on space policy, as well as EU innovation policy, require solid, credible and sustainable EU financial support if the Union's key 2020 objectives are to be met;" (EP5)

"29. ...calls on the Commission to increase the total financial envelope earmarked for research and innovation in the Community budget;" (EP5)

"50. Notes that, to tackle the climate challenge, substantial investments in energy infrastructure will be needed before 2020 and beyond, including investment in the upgrading of Europe's energy networks, a truly European, smart energy super-grid, green corridors, interconnections, completing the Galileo project, green technology, e-health, the Trans-European Transport Network (TEN-T) programme and free and equitable access to ICT and broadband;" (EP5)

"55. Reiterates its request that adequate financing be secured to support clean, sustainable and efficient low-carbon energy technologies, amounting to total spending from the EU budget of at least EUR 2 billion annually, in addition to FP7 and CIP, from 2010 onwards;..." (EP5)

"49. ...calls, therefore, on the Commission and the Member States to put energy efficiency at the top of the EU agenda, including in budgetary terms;" (EP5)

"51. Points out that the Union needs to invest more efficiently in existing transport infrastructures, such as TEN-T, to boost job creation, improve social and territorial cohesion and create a sustainable and interoperable transport system; calls for an interplay between transport modes and the smart use of logistics, since de-carbonising the transport sector and making it sustainable will require innovation, new technologies and financial resources;" (EP5)

"34.Emphasises that Parliament has also identified youth as a key priority for the 2011 budget and has clearly expressed its intention to afford further financial support to all major programmes in that field;" (EP5)

3. SYNERGY WITH NATIONAL BUDGETS

"19. Believes that the Member States should indicate how they used EU funds to achieve the various EU 2020 objectives....;" (EP1)

"55. ...calls, in this context, for the Commission and the Member States to establish a timetable for their funding commitments, as a matter of urgency, to ensure that funds start flowing from 2010 for the various initiatives of the SET plan, as well as complementary initiatives;" (EP5)

4. QUALITY OF EXPENDITURE

"The EU multi-annual financial framework will also need to reflect the long-term growth priorities. The Commission intends to take the priorities, once agreed, up in its proposals for the next multi-annual financial framework, due for next year. The discussion should not only be about levels of funding, but also about how different funding instruments such as structural funds, agricultural and rural development funds, the research framework programme, and the competitiveness and innovation framework programme (CIP) need to be devised to achieve the Europe 2020 goals so as to maximise impact, ensure efficiency and EU value added. It will be important to find ways of increasing the impact of the EU budget – while small it can have an important catalytic effect when carefully targeted." (COM)

"19. Believes that...-EU funding should be conditional on results and compatibility with the objectives of the EU 2020 strategy;" (EP1)

"6. Criticises the lack of an overall assessment of the impact of cohesion expenditure on regional development; calls upon the Commission to assess the territorial impact of earmarking Structural Funds to the Lisbon Strategy and to evaluate whether this system is actually contributing to balanced and coherent regional development;" (EP2)

"32. Considers that explicit targets should be set for SME-compatible funding tools, to guarantee digital interoperability and accessibility, and that they should clearly include EU targets for eco-innovation;" (EP5)

"40. Stresses the importance of providing for a minimum allocation of funds for SMEs in the open calls published under the Research and Innovation initiatives, following the same commitment adopted for the FP7 (15% of the resources in the Cooperation programme);" (EP4)

"46. Believes that the rules for distribution of the EU structural funds should be adjusted to take account of the need to promote innovation that reduces costs and improves resource use;" (EP5)

"30. Underlines the importance of simplifying research and development funding and cutting red tape, so that knowledge-driven businesses can maximise their effectiveness and new employment opportunities can be encouraged;" (EP5)

"44. Considers that enhanced support for innovation must always be accompanied by a reduction in the red tape confronting applicants; calls on the Commission to eliminate red tape by re-engineering Framework Programme processes and by creating a users' board;" (EP4)



ЕВРОПЕЙСКИ ПАРЛАМЕНТ PARLAMENTO EUROPEO EVROPSKÝ PARLAMENT EUROPA-PARLAMENTET
EUROPÄISCHES PARLAMENT EUROOPA PARLAMENT ΕΥΡΩΠΑΪΚΟ ΚΟΙΝΟΒΟΥΛΙΟ EUROPEAN PARLIAMENT
PARLEMENT EUROPEEN PARLAIMINT NA HEORPA PARLAMENTO EUROPEO EIROPAS PARLAMENTS
EUROPOS PARLAMENTAS EURÓPAI PARLAMENT IL-PARLAMENT EWROPEW EUROPEES PARLEMENT
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PUBLIC HEARING

Special committee on the policy challenges and budgetary resources for a sustainable European Union after 2013

The role of the EU budget in achieving the Europe 2020 goals

Chair:
Jutta HAUG



Monday, 29 November 15.00 - 18.30
Tuesday, 30 November 09.00 - 12.30
Room JAN 4Q2 - Brussels



EUROPEAN PARLIAMENT

2009 - 2014

Special committee on the policy challenges and budgetary resources for a sustainable European Union after 2013

HEARING

29-30 November 2010

Room JAN 4Q2, European Parliament, Brussels

Draft agenda

The role of the EU budget in achieving the EU2020 goals

29 November 2010

15.00 - 15.15 Opening of the meeting by Chair of SURE.

15.15 - 16.45 *Smart growth panel: developing an economy based on knowledge and innovation*
Timing: introduction of 5' by moderator + 5'/each expert + 65' Q&A

- Speakers:

André Sapir, Professor of international economics and European integration of the Université Libre de Bruxelles

Patrick Bressler, Director of the Brussels Office of the Fraunhofer-Gesellschaft

José Reis, Director of the Faculty of Economics of the University of Coimbra

Lesley Wilson, Secretary General of the European University Association

Moderator: **Andrea Renda**, Senior Research Fellow at the Centre for European Policy Studies

16.50 - 18.15 *Sustainable growth panel: promoting a more resource efficient, greener and more competitive economy*

Timing: introduction of 5' by moderator + 5'/each expert + 65' Q&A

- Speakers:

Christian Egenhofer, Senior Research Fellow at the Centre for European Policy Studies

Walter Boltz, Vice-Chair of the Board of the Agency for the Cooperation of Energy Regulators

Mirosław Drygas, Deputy Director of the Institute of Rural and Agriculture Development, Polish Academy of Sciences

Moderator: **Ulrike Guérot**, Head of the Berlin office of the European Council on Foreign Relations

18.20 - 18.30 Conclusions from rapporteur (first day)

At the conclusion of the first half day, the Chair will host a cocktail outside the meeting room.

30 November 2010

9.00 - 10.20 *Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion*

Timing: introduction of 5' by moderator + 5'/each expert + 55' Q&A

- Speakers:

Mercedes Bresso, President of the Committee of the Regions

Fabrizio Barca, Director General Italian Ministry of Economy and Finance

Emil Dinga, Deputy Director General of the Romanian Banking Institute

Moderator: **Hendrik Kafsack**, Frankfurter Allgemeine Zeitung

10.25 - 12.05 *European added value in practice: ensuring complementarity with national budgets and leveraging investment*

Timing: introduction of 5' by moderator + 5'/each expert + 65' Q&A + 5' minutes wind-up by moderator

- Speakers:

Dominique de Crayencour, EIB Director Institutional Affairs

Amélie Barbier-Gauchard, Scientific adviser at the Centre d'Analyse Stratégique

Kersti Kaljulaid, Member of the European Court of Auditors

András Vértés, President of GKI economic research

Moderator: **Fabian Zuleeg**, Chief Economist at the European Policy Centre

12.00 - 12.20 Conclusions from rapporteur

12.20 - 12.30 Closing remarks by Ms Jutta Haug, Chairwoman of the SURE Committee of the European Parliament



EUROPEAN PARLIAMENT

2009 - 2014

Implementation and financial management in the Multiannual Financial Framework (MFF)

**SURE Committee Meeting
28 October 2010
Brussels**



EUROPEAN PARLIAMENT

2009 - 2014

*Special committee on the policy challenges and budgetary resources for a sustainable
European Union after 2013*

26.10.2010

REFLECTION PAPER

on the implementation and financial management in the multiannual
financial framework

Rapporteur: **Salvador GARRIGA POLLEDO**

Introduction

Article 317 of the TFEU²¹ states that *the Commission shall implement the budget in cooperation with the Member States, in accordance with the provisions of the regulations pursuant to Article 322, on its own responsibility and within the limits of the appropriations, having regard to the principle of sound financial management. Member States shall cooperate with the Commission to ensure that the appropriations are used in accordance with the sound financial management.*

The Part III of the IIA of 17 May 2006²² deals with the sound financial management of EU funds, integrating the European Parliament's requests for improving the qualitative aspects of the implementation of EU budget. This new part III is at the origin of the change in the title of the IIA, which also covers "sound financial management". It addresses notably:

- the recognition of the need for more efficient controls and simplification of rules, in particular in the context of shared management (annual summary, assessment of national management and control systems)
- the implementation of the budget in accordance with the principles of sound financial management

The Financial Regulation (FR) applicable to the general budget of the European Communities²³ sets, in its Title IV, the general rules for the implementation of the EU funds.

Sound financial management and control

The principle of sound financial management is one of the budgetary principles, in compliance to which the budget shall be established and implemented. In accordance with this principle, the budget shall be implemented by respecting the principle of economy, efficiency and effectiveness²⁴. The principle of economy requires that the resources used by the institutions for the pursuit of its activities shall be made available in due time, in appropriate quality and quantity and at the best price. The principle of efficiency is concerned with the best relationship between resources employed and results achieved. The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.

The budget shall be implemented in compliance with effective and efficient internal control as appropriate in each management mode, and in accordance with the relevant sector-specific Regulations.

The Court of Auditors examines the accounts of all revenues and expenditure of the Union and provides the European Parliament and the Council with statement of assurance as to the reliability of the accounts and the legality and regularity of the underlining transactions²⁵.

²¹ Ex-Article 274 TEC

²² Interinstitutional Agreement on budgetary discipline and sound financial management of 17 May 2006, OJ L 139/1 of 14.06.2006

²³ Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities, OJ L 248, 16.09.2002

²⁴ Article 27 of the Financial Regulation

²⁵ Article 287 TFEU

Implementation Methods

In accordance with Article 3 of the Financial Regulation, the Commission implements the budget in the following ways: on a centralised basis, by shared or decentralised management and by joint management with international organisations.

Centralised management

Where the Commission implements the budget on centralised basis, implementation tasks shall be performed either directly by its departments or indirectly by delegating to third parties its executive power (i.e. executive agencies, other specialised Community bodies, such as EIB or EIF, national or international public sector bodies).

As regards the direct management, the operational implementation of the budget is delegated by the College to the Directors-General, who as 'authorising officers by delegation', are responsible for the sound and efficient management of the resources and for ensuring adequate and effective control systems in their services. Directors-General report on the performance of their duties in the Annual activity reports, which includes a signed declaration of assurance focusing on their responsibilities and covering the legality and regularity of financial transactions. On the basis of the assurance and reservations made in their annual activity reports, the Commission adopts a Synthesis report²⁶, assuming in this way its political responsibility for the management. It identifies key management issues to be addressed as a matter of priority and defines lines of action to address identified weaknesses. Thus, the Commission focuses on issues such as simplification of the legislation, integrated internal control framework, strengthening of Commission's supervisory role in shared management of the EU funds.

The Commission stresses in its Report on the management achievements of 2009 that significant progress has been achieved in the management of the EU Funds thanks to far-reaching changes to management and control system, working methods and culture. However, it also acknowledged that there are still areas which require improvement, for example in shared management, where member States execute some 80% of the budget.

Shared management

When the Commission implements the budget by shared management, implementation tasks are delegated to the Member States. Without prejudice to complementary provisions in relevant sector specific Regulations, and in order to ensure that the funds are used in accordance with the applicable rules and principles, the MSs shall take all legislative, regulatory and administrative or other measures necessary for protecting the Community's financial interests. To that effect, the Member States shall conduct checks and shall put in place an effective and efficient internal control system and produce, on this basis, an annual summary at the appropriate national level of the available audits and declarations (Article 53 (b) of the Financial Regulation).

The implementation of major EU policies is characterised by the shared management of the Community budget, under which 80% of Community expenditure is administered by the Member States. *The improvement of the financial management in the Union must be supported by a close monitoring of progress in the Commission and in the MSs, while the Member States should assume responsibility in the management of the EU Funds,*

²⁶ Synthesis of the Commission's management achievements in 2008 and 2009 (COM(2009)256 of 8 June 2009 and COM(2010)281 of 2 June 2010)

*ensuring the completion of the EU integrated control framework with the aim of obtaining a positive Statement of Assurance (DAS)*²⁷.

The main policies, implemented under shared management are agriculture and rural development and cohesion policy. The cohesion policy, representing around 31% of the EU budget, remains the policy area with the highest error rate in the DAS 2008 (11%) and is the only policy area still receiving a red light from the Court of Auditors²⁸. This is largely due to the ineffective functioning of the specific management and control systems in some Member States²⁹. The complexity of the rules combined with implementation requirements, which differ from one MSs to another and sometimes even between regions, remain the main problem of the 'shared management' policies. Despite the marked improvements in the management and control systems introduced by the 2008 Commission action plan, which strengthened the Commission's supervisory role in the structural actions, only 31% of the systems work well and more than 60% require improvement.

In this context, the EP invites the Commission, in its supervisory role, to analyse the strengths and weaknesses of each Member State's national system for administration and control of the EU funds and to forward its comparative analysis to the European Parliament, the Council and the Court of Auditors; to take this evaluation into account while revising the Guidance Note concerning the annual summaries and to take the opportunity to include in the Guidance Note a framework for national management declaration for those MSs that decide to introduce them to develop its incentive-based approach³⁰.

On the other hand, it stresses the need to strengthen the role of the Member States in the upcoming review of the Financial Regulation as well as to improve the quality, homogeneity and comparability of the data provided by the MSs so as to ensure the added value in the field of the control of EU Funds.

Joint management

Where the Commission implements the budget by joint management, certain implementation tasks shall be delegated to international organisations³¹. External aid, development and enlargement, including the pre-accession and neighbourhood policies count among policy areas with a significant level of irregularity in payments³².

In accordance with the European Court of Auditors' Special report n°15/2009, the EU assistance for development and humanitarian aid implemented through United Nations organisations increased from EUR 500 million in 2002 to over EUR 1 billion in 2008³³. The EU contribution to UN organisations represents about 6% of UN resources, and in

²⁷ EP resolution on discharge in the respect of the implementation of the European Union general budget for the financial year 2008, Text adopted in Plenary on 05.05.2010, P7_TA(2010)0134

²⁸ Annual Report of the Court of Auditors on the implementation of the budget concerning the financial year 2008, together with the institutions' replies, OJ C 269, 10.11.2009

²⁹ Communication from the Commission to the European Parliament, the Council and the Court of Auditors, Synthesis of the Commission's management achievements in 2009, COM(2010)281 of 2.06.2010

³⁰ *idem*, Points 40-46

³¹ Article 53d of the Financial Regulation

³² Court of Auditors Annual Report concerning the financial year 2008, of 24 September 2009

³³ European Court of Auditors' Special report n°15/2009 - EU assistance implemented through United Nations organisations: decision-making and monitoring, point 1.

2006 and 2007 the Commission made over 700 separate contributions to around 30 different organisations and spread over more than 90 countries³⁴.

The Financial Regulation and the arrangements in the FAFA³⁵, which applies to all funding agreements between the Commission and the UN, provide the framework enabling the Commission to contract directly with UN organisations. The individual agreements concluded with international organisations to which implementation tasks are delegated shall contain detailed provisions for the implementation of the tasks entrusted. However, those implementation tasks are carried out in accordance with the international organisations' own accounting, audit, internal control and procurement procedures, while the Commission remains responsible for the funds implemented through international organisations and accountable to the European Parliament.

The Court of Auditors special report notes that the "procedures for joint management with UN organisations differ from those required for actions implemented through NGOs, which generally involve competition and the use of Commission procedures" and concluded that the Commission does not convincingly demonstrate, before deciding to work with a UN organisation, that it has assessed whether the advantages offset any disadvantages" and that the "choice of a UN organisation is not based on sufficient evidence that this approach is more efficient and effective than other ways of delivering aid" (paragraphs 9 and III of the Special Report n°15/2009).

On the basis of this report, the Court of Auditors issued one recommendation to the Commission as regard improved decision-making and four as regards more focus on the achievement of results: to issue and ensure the implementation of practical guidelines in order to improve the decision-making process for selecting the implementing channel for the proposed task; to explore opportunities to rely on audit work carried out by UN bodies and to ensure that the FAFA is applied so that any issues of access to information are rapidly resolved; to ensure that UN reports provide adequate information on project performance and the achievement of results; to consider whether it can built on its expertise with one UN agency by contribution in a less fragmented way, for example at country level, to other UN organisations with view a to engaging in a similar high-level dialogue enhancing the focus on their performance in achieving objectives.

Improving the quality of implementation: economy, efficiency and effectiveness

In its opinion n°1/2010 "Improving the financial management of the EU: Risks and challenges"³⁶, the Court of Auditors brings together the main messages of its recent annual and special reports in order to identify the main risks and challenges to reducing further the level of irregularity as well as improving the quality of EU spending.

In line with this opinion, the debate on how to improve implementation and financial management of the EU budget could address the following issues:

Quality of the implementation

- simplification and strengthening of delivery instruments
- streamline within and across the policies (EAV, clear and quantifiable objectives, improved eligibility criteria), develop synergies, clear repartition of

³⁴ idem, points 4 to 5

³⁵ Financial and Administrative Framework Agreement (FAFA)

³⁶ <http://eca.europa.eu/portal/pls/portal/docs/1/4030745.PDF>

responsibilities (notably in the area of shared management and development assistance);

- setting out of casual links between the funded activities and desired outcomes
- improvements in monitoring and evaluation arrangements
- transparency and accountability

Reduce the irregularities

- Simplification of rules and procedures could not only decrease the risk of error but can also reduce the control costs
- better balance between the cost of control and efficiency and benefit of such a control
- further improvement of Commission's internal financial management and control systems

TECHNICAL ANNEXES:

- Annex 1. Implementation of EU budget for 2000-2010 period (in payments) compared with the MFF and own resources ceilings (1a/ in absolute figures, 1b/ graphic presentation)
- Annex 2. Implementation of commitments and payments per MFF headings for 2007-2010 (million EUR and %)
- Annex 3. EU budget surpluses from 2000 to 2010 - Comparative table

Annex 1a. Implementation of EU budget for 2000-2010 period (in absolute figures)

Implementation of the EU budget compared to the ceilings in <u>payment</u> appropriations for 2000-2010 period											
(million EUR, current prices)											
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Own Resources ceiling*	105,884	109,542	113,435	114,948	126,319	131,527	137,169	151,354	152,446	144,014	147,194
MFF ceiling	91,322	94,730	100,078	102,767	111,380	114,060	119,112	122,190	129,681	120,445	134,289
Adopted budget	87,945	92,569	95,655	97,503	99,724	106,300	111,970	115,497	120,347	116,096	122,937
Final budget**	89,440	93,780	95,656	92,525	101,807	105,684	107,378	113,846	115,771	113,035	122,937
Implementation***	80,449	80,558	85,766	89,377	99,934	104,000	105,809	110,049	110,449	109,055	87,301

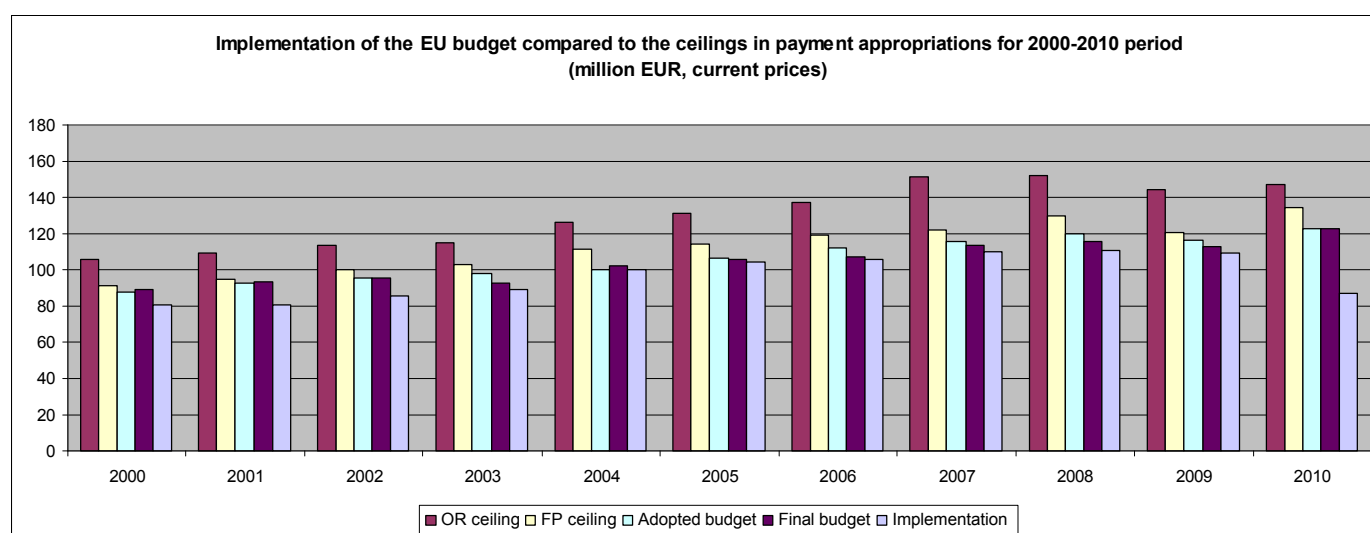
* Based on a yearly established GNI figure multiplied by 1,24% (and 1,23% for 2010)

** Including subsequently adopted amending budgets (except or 2010)

*** 2010 data based on the latest provisional figures from 27 September 2010

Source: European Commission, provided by Policy Department D

Annex 1b. Implementation of EU budget for 2000-2010 period (graphic presentation)



Source: European Commission, provided by Policy Department D

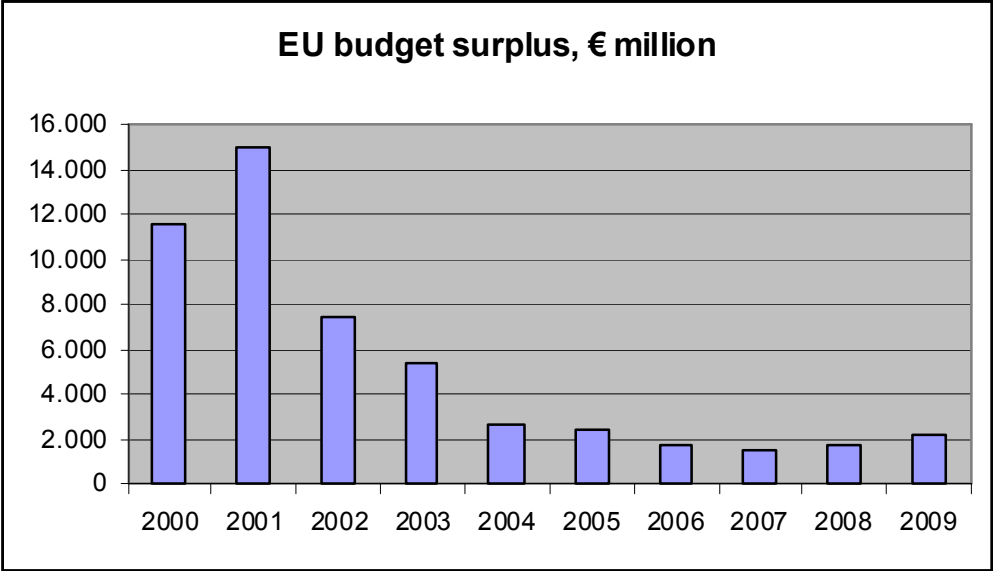
Annex 2. Implementation of commitments and payments per MFF headings for 2007-2010 (million EUR and %)

IMPLEMENTATION OF COMMITMENTS AND PAYMENTS PER MFF HEADINGS FOR 2007-2010 (million EUR and %)

HEADING	2007				2008				2009				2010*			
	CA		PA		CA		PA		CA		PA		CA		PA	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
1. SUSTAINABLE GROWTH	53.723,3	97,9	43.178,0	98,7	57.919,1	99,0	45.057,0	98,1	61.649,7	99,1	43.994,8	96,9	61.419,6	95,5	29.852,7	61,4
1a. Competitiveness for growth and employment	8.821,8	94,1	6.203,3	92,6	10.558,7	95,3	9.502,2	94,3	13.242,3	96,1	10.062,2	96,2	12.070,2	81,0	7.003,2	60,4
1b. Cohesion for growth and employment	44.901,5	98,7	36.974,6	99,8	47.360,4	99,9	35.554,8	99,2	48.407,4	99,9	33.932,6	97,2	49.349,3	99,9	22.849,4	61,6
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES	52.563,2	94,2	54.016,5	99,2	56.767,9	99,7	52.266,9	98,0	56.037,9	99,5	50.424,2	99,4	57.142,4	95,7	48.843,4	84,0
of which CAP expenditure	42.148,4	99,6	42.096,4	99,5	40.948,9	99,8	40.752,6	99,6	41.046,5	100,0	40.907,8	99,8	41.382,1	94,4	41.086,8	93,9
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE	1.368,3	97,6	1.010,7	82,9	1.521,4	93,6	1.261,7	91,0	2.201,1	99,4	1.930,5	94,6	1.282,4	76,6	895,3	63,7
3a. Freedom, security and justice	567,2	96,1	199,5	59,3	640,9	87,8	380,0	85,6	932,5	99,1	666,6	90,4	769,5	76,5	454,9	61,5
3b. Citizenship	801,1	98,7	811,2	91,8	880,6	98,3	881,8	93,5	1.268,6	99,6	1.263,9	96,9	512,9	76,7	440,4	66,1
4. THE EUROPEAN UNION AS A GLOBAL PARTNER	6.478,5	95,1	7.091,0	94,8	7.352,9	96,1	7.190,5	90,1	8.309,8	99,2	7.786,3	91,8	6.683,1	82,4	4.059,7	51,7
5. ADMINISTRATION	4.329,9	98,4	4.308,4	90,2	4.510,7	97,9	4.466,7	90,1	4.739,8	98,9	4.710,8	91,3	4.730,3	95,6	3.650,7	68,8
GRAND TOTAL	118.907,9	96,1	110.049,1	98,2	128.278,7	99,1	110.449,5	97,0	133.147,3	99,3	109.055,7	97,4	131.257,7	94,6	87.301,8	71,9

*Based on the latest provisional figures from 27 September 2010

Annex 3. EU budget surpluses from 2000 to 2010



Source: European Commission, provided by Policy Department D

LINKS

General Rules

IIA of 17 May 2006 on budgetary discipline and sound financial management

http://ec.europa.eu/budget/library/documents/multiannual_framework/2007_2013/comm_2010_0073_en.pdf

Financial Regulation applicable to the general budget of the European Communities

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002Q1605:EN:HTML>

Financial Regulation Triennial revision

http://ec.europa.eu/budget/library/documents/sound_fin_management/financial_regulation/comm_2010_260_en.pdf

Budget Review

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of Regions and National Parliaments on the EU Budget Review

http://ec.europa.eu/budget/reform/library/com_2010_700_en.pdf

Discharge for the implementation of the EU budget

2008 Discharge

<http://www.europarl.europa.eu/document/activities/cont/201005/20100511ATT74395/20100511ATT74395EN.pdf>

2007 Discharge

<http://www.europarl.europa.eu/document/activities/cont/200905/20090519ATT56154/20090519ATT56154EN.pdf>

Commission's Reports

Synthesis of the Commission's management achievements in 2009

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0281:FIN:EN:PDF>

Synthesis of the Commission's management achievements in 2008

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0256:FIN:EN:PDF>

Court of Auditors Reports

Annual Report of the Court of Auditors on the implementation of the budget concerning the financial year 2008, together with the institutions' replies

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2009:269:0001:0256:EN:PDF>

Annual Report of the Court of Auditors on the implementation of the budget concerning the financial year 2007, together with the institutions' replies

<http://eca.europa.eu/portal/pls/portal/docs/1/1569525.PDF>

Special Report No 15/2009: EU assistance implemented through United Nations organisations: decision-making and monitoring

<http://eca.europa.eu/portal/pls/portal/docs/1/3632657.PDF>

Opinion No 1/2010: Improving the financial management of the European Union budget: Risks and challenges

<http://eca.europa.eu/portal/pls/portal/docs/1/4030745.PDF>



Structure and Flexibility

**SURE Committee Meeting
22 November 2010
Strasbourg**



EUROPEAN PARLIAMENT

2009 - 2014

*Special committee on the policy challenges and budgetary resources for a sustainable
European Union after 2013*

17.11.2010

REFLECTION PAPER

on the Structure of the MFF post 2013

Rapporteur: **Salvador GARRIGA POLLEDO**

Introduction:

Each adoption of a multi-annual financial framework since 1992 has been combined with a modification of the structure of the MFF.³⁷

The most radical reshuffling of the MFF structure took place in 2006: In order to follow a thematic approach reflecting the Union's priorities defined by the Lisbon Strategy, the former Heading 1 (Agriculture) was merged into Heading 2 (Preservation and Management of Natural resources) and the former Heading 2 (Structural operations) was mainly transformed into the Heading "Sustainable Growth".

In addition, the former Heading 6 (Reserves) was abolished and partly integrated in Heading 4 (EU as global player). The "Pre-Accession" Heading created in 1999 was merged into Heading 4 as well.

These structural changes were undertaken in order to increase the transparency of the Union's budgetary system and, above all, to ensure increased visibility of the political priorities defined by the Union in the context of the Lisbon strategy.³⁸

Options for the Structure of the MFF post 2013:

Against this historical context, it is not surprising that the Commission's recent reflections about the possible structure of the MFF post 2013 are based on the broad objectives of the EU 2020 strategy.

In its Budget Review document³⁹, the Commission states: *"The structure of the budget is itself an important tool for communicating and delivering on the purpose of the spending and the objectives to be reached. There is an obvious benefit in a budget which in structure, as well as balance, reflects the EU's political priorities. The current structure made some progress in that direction, but a further step would be to either reduce the number of headings to the minimum or organise the budget around the Europe 2020 strategy"*.

³⁷ An overview about the former multi-annual financial frameworks is given in Annex 2.

³⁸ It could also be argued that the structure of the MFF reflects the principle of Activity-Based Budgeting (ABB) put in place in the context of the reform of the Commission (see COM (2000) 200)

³⁹ COM (2010) 700

The Commission proposes two alternative structures:

Option 1 would provide only three Headings: (1) Internal expenditure, (2) External expenditure and (3) Administrative expenditure.

Option 2 would use the same three Headings but 4 subheadings under Heading 1 Internal policies⁴⁰:

1a. Smart growth	}	<i>"covering policies where the centre of gravity falls under the three strands of EU 2020"</i>
1b. Sustainable growth		
1c. Inclusive growth		
1d. Citizenship		

At least under the assumption that no subheadings or other measures for ring-fencing internal expenditure would be added, **Option 1** would provide **a strong increase in flexibility for all internal policies**, that is, around 89% of the current MFF. On the other hand, political **visibility and transparency** would be **reduced**.

Option 2 provides **less flexibility** but **reflects the EU 2020 political priorities**. It would be a step in reducing the number of Headings (or ring-fenced expenditure areas) as it would comprise 3 Headings plus 4 subheadings compared to the current 6 Headings with 4 subheadings. However, this simplification would only be achieved if:

- CAP is not subdivided (as is the case in the current MFF) into two (ring-fenced) pillars of market related expenditures and direct payments, and rural development;
- "Freedom, security and justice" is included in citizenship (and not a separate subheading as in the current MFF).

The Commission's review paper does not provide details on how the different policies would be allocated to the different EU 2020 subheadings or whether current horizontal policies (CAP, cohesion) would be split between objectives⁴¹. The flexibility of the MFF will depend largely on how this allocation is done.

Structuring the MFF post 2013 along the format of EU 2020 would not resolve the problems of allocation of the current policies to the new structure. Even under the assumption of a continued validity of the current rule "one fund-one policy", it could be advocated that a fund be financed out of different headings or subheadings.

E.g., the Commission argues that today, 44,1 % of the rural development funds contribute to "Sustainable growth", while 32,9 % could be attributed to "Smart Growth". Consequently, the EARDF could be fuelled from both headings. Similarly, the direct

⁴⁰ The reflections presented in this paper are based on the assumption that "Headings" and "subheadings" are categories of expenditure which are similar in substance, as, in both cases, a modification requires a revision of the IIA. On the other hand, the current provisions of the IIA (Paragraph 23) make reallocations between subheadings (within the same heading) easier than reallocations between headings. Which conditions for revision should apply in the future MFF, is discussed in a separate Reflection Paper on Flexibility.

payments and market related expenditure of the CAP could be financed through heading Sustainable growth as well as through heading Inclusive growth. The crucial question would however remain to be solved: Which changes in policy design would be needed in order to align the policies to the agreed objectives?

A similar reflection would be appropriate for Cohesion policy, which is currently included in Heading 1b of the MFF. However, it could be argued that the Structural Funds and Cohesion Funds contribute significantly to all three objectives of the EU 2020 strategy and could accordingly be fuelled from all three headings: Analysis of the Commission based on the figures from DB 2011⁴² comes to the conclusion that expenditure from Heading 1b contributes substantially to Smart Growth (22,5 % of Heading 1b expenditure), to Sustainable Growth (24,5 %) as well as to Inclusive Growth (20,5%). Nevertheless, the Commission seemingly prefers to maintain all cohesion expenditure in the same heading.

In addition to the reflections of the Commission's Budget Review Communication, a **third option** to be discussed would be to **maintain the current structure** of the MFF for the period post 2013. This **Option 3** would provide for **increased stability and predictability**, but it would not resolve the current **structural shortcomings**, notably with regard to **flexibility**.

An **overview** of the Budget configurations under the three options above is given in **Annex 1**.

Questions

The following questions could be the starting point for the committee's discussion:

Should the current structure of the MFF be maintained (Option 3)? Should it be consolidated or optimized without changing its basic architecture?

Would Option 1 be more desirable as it provides for increased flexibility, at least within the internal policy expenditure?

Should the subheadings proposed in Option 2 be maintained as separate headings? Is it correct to assume increased flexibility through the use of subheadings? Will the subheadings be ringfenced in a similarly rigid way than the current headings?

Given the experiences with the current lack of flexibility, should a separate heading for reserves be reintroduced (following its abolition in 2006)?

Should some elements of the Community spending which are now externalised be included in the future MFF (EDF etc)? Or should, on the contrary, external structures

⁴² Letter from Commissioner Lewandowski to EP rapporteur Mrs Jedrzejewska from 20 August 2010

(Funds *hors budget*) be used in a more offensive way (e.g. a Funds for Energy investments)? Should such external dedicated funds be used only for infrastructure investments?

Should they be (co-)financed by issuing Community bonds in capital markets?⁴³ How can a communitarian procedure for such funds be ensured and an intergovernmental approach avoided?

How should the European Financial Stabilisation Mechanism be included in the MFF?

Should a different approach be chosen with regard to guarantees than actual expenditure?

Should the categories of expenditure at national and EU level be aligned, in order to create better synergies between the EU budget and the national budgets? If so, should the current Eurostat methodology be used for structuring the budgets?⁴⁴ Can the European Semester be used to facilitate and coordinate this process?

⁴³ A Iozzo, S Micossi, MT Salvemini (2008): A new budget for the European Union? CEPS Policy Brief 159.

⁴⁴ European Parliament (2009): The Interinstitutional Agreement of 17 May 2006 and 2005-2009 budgetary procedures. Policy Department D (Budgetary affairs)

Annex 1

Synoptical Tables of the discussed MFF Structures

Based on the configuration proposed of the Budget Review Communication, the structure of **Option 1** could be represented as follows:

1. INTERNAL POLICIES
<ul style="list-style-type: none">• Cohesion policy (ERDF, ESF)• CAP (including rural development)• Infrastructures (transport, communication, energy)• Energy and climate policies• Fisheries and environment• Research• Innovation• Education• European Globalisation Adjustment Fund• Solidarity Fund• "Unity in Diversity"• Freedom, security and justice
2. EXTERNAL POLICIES
<ul style="list-style-type: none">• Projecting EU's values and interests globally (EEAS,...)• Crisis response (IfS, Humanitarian aid,...)• Poverty alleviation (DCI, EDF ...)• Neighbourhood policy and Pre-accession support
3. ADMINISTRATION

Based on the configuration proposed of the Budget Review Communication, the structure of **Option 2** could be completed as follows:

1. INTERNAL POLICIES
<p>1a. Smart growth</p> <ul style="list-style-type: none"> • Research • Innovation • Education • Infrastructures (transport, communication, energy) <p>1b. Sustainable growth</p> <ul style="list-style-type: none"> • Energy and climate policies • CAP (including rural development) • Fisheries and environment <p>1c. Inclusive growth</p> <ul style="list-style-type: none"> • Cohesion policy (ERDF, ESF) • European Globalisation Adjustment Fund • <p>1d. Citizenship</p> <ul style="list-style-type: none"> • "Unity in Diversity" • Freedom, security and justice • Solidarity Fund
2. EXTERNAL POLICIES
<ul style="list-style-type: none"> • • Projecting EU's values and interests globally (EEAS,...) • Crisis response (IfS, Humanitarian aid,...) • Poverty alleviation (DCI, EDF ...) • Neighbourhood policy and Pre-accession support
3. ADMINISTRATION

In a similar format, **Option 3** could be presented as follows:

1. Sustainable Growth
1a. Competitiveness for Growth and Employment <ul style="list-style-type: none">• Research• Innovation• Infrastructures (transport, communication, energy)• European Globalisation Adjustment Fund
1b. Cohesion for Growth and Employment <ul style="list-style-type: none">• Cohesion policy (ERDF, ESF)
2. Preservation and management of natural resources
<ul style="list-style-type: none">• CAP (market related expenditure and direct payments)• CAP (rural development)• Fisheries and environment• Energy and climate policies
3. Citizenship, Freedom, Security and Justice
3a. Freedom, security and justice
3b. Citizenship <ul style="list-style-type: none">• "Unity in Diversity"• Solidarity Fund
4. EU as a Global Player
<ul style="list-style-type: none">• Projecting EU's values and interests globally (EEAS,...)• Crisis response (IfS, Humanitarian aid,...)• Poverty alleviation (DCI, EDF ...)• Neighbourhood policy and Pre-accession support (IPA)
5. ADMINISTRATION

Annex 2

FORMER MULTI-ANNUAL FINANCIAL FRAMEWORKS

TABLE 3.1

Financial perspective 1988-92 (Interinstitutional Agreement of 29 June 1993
on budgetary discipline and improvement of the budgetary procedure)

Appropriations for commitments

(million ECU at 1988 prices)

	1988	1989	1990	1991	1992
1. EAGGF Guarantee	27 500	27 700	28 400	29 000	29 600
2. Structural operations	7 790	9 200	10 600	12 100	13 450
3. Policies with multiannual allocations (IMPs, research)	1 210	1 650	1 900	2 150	2 400
4. Other policies	2 103	2 385	2 500	2 700	2 800
of which: non-compulsory	1 646	1 801	1 860	1 910	1 970
5. Repayments and administration	5 700	4 950	4 500	4 000	3 550
(including financing of stock disposal)	1 240	1 400	1 400	1 400	1 400
6. Monetary reserve	1 000	1 000	1 000	1 000	1 000
Total	45 303	46 885	48 900	50 950	52 800
of which: compulsory	33 698	32 607	32 810	32 980	33 400
of which: non-compulsory	11 605	14 278	16 090	17 970	19 400
Payment appropriations required	43 779	45 300	46 900	48 600	50 100
of which: compulsory	33 640	32 604	32 740	32 910	33 110
of which: non-compulsory	10 139	12 696	14 160	15 690	16 990
Payment appropriations as % of GNP	1.12	1.14	1.15	1.16	1.17
Margin for unforeseen expenditure	0.03	0.03	0.03	0.03	0.03
Own resources required as % of GNP	1.15	1.17	1.18	1.19	1.20

TABLE 1
Financial framework actually applied from 1993 to 1999
APPROPRIATIONS FOR COMMITMENTS
ECU MILLION

	Current prices						
	1993	1994	1995	1996	1997	1998	1999(*)
1. COMMON AGRICULTURAL POLICY	36657	36465	37944	40828	41805	43263	45205
2. STRUCTURAL OPERATIONS	22192	23176	26329	29131	31477	33461	39025
Structural Funds	20627	21323	24069	26579	28620	30482	35902
Cohesion Fund	1565	1853	2152	2444	2749	2871	3118
EEA financial mechanism	0	0	108	108	108	108	5
3. INTERNAL POLICIES	4109	4370	5060	5337	5603	6003	6386
4. EXTERNAL ACTION	4120	4311	4895	5264	5622	6201	6870
5. ADMINISTRATIVE EXPENDITURE	3421	3634	4022	4191	4352	4541	4723
6. RESERVES	1522	1530	1146	1152	1158	1176	1192
Monetary reserve	1000	1000	500	500	500	500	500
Guarantee reserve	313	318	323	326	329	338	346
Emergency aid reserve	209	212	323	326	329	338	346
7. COMPENSATION	0	0	1547	701	212	99	0
8. TOTAL APPROPRIATIONS FOR COMMITMENTS	72021	73486	80943	86604	90229	94744	103401
9. TOTAL APPROPRIATIONS FOR PAYMENTS	68611	70352	77229	82223	85807	90581	96380
Appropriations for payments as % of GNP	1,20	1,20	1,20	1,20	1,22	1,23	1,23
MARGIN (% of GNP)	0,00	0,00	0,01	0,02	0,02	0,03	0,04
OWN RESOURCES CEILING (% of GNP)	1,20	1,20	1,21	1,22	1,24	1,26	1,27

(*) Provisional amounts for heading 2 (proposal by the Commission for the adjustment to take account of the conditions of implementation)

IMPACT OF REVISIONS AND ADJUSTMENTS IN LINE WITH THE CONDITIONS OF IMPLEMENTATION

	1993	1994	1995	1996	1997	1998	1999
Revision (October 1993)							
Heading 3: stimulation of economic activity (commitments)		45					
Heading 4: Middle-East peace process (commitments)		75					
Heading 5: depreciation of ecu against BEF (commitments)		55					
Overall ceiling - appropriations for commitments		175					
Ceiling - appropriations for payments		120					
Adjustment in line with conditions of implementation (April 1996)							
Heading 2: Transfer for Structural Funds (commitments)				869	869		
Overall ceiling - appropriations for commitments				869	869		
Ceiling - appropriations for payments				935	696	434	173
Adjustment in line with conditions of implementation (April 1996)							
Heading 2: Transfer for Structural Funds (commitments)					380	1000	693
Heading 2: Transfer for Cohesion Fund (commitments)					11		
Overall ceiling - appropriations for commitments					391	1000	693
Ceiling - appropriations for payments					186	633	632
Adjustment in line with conditions of implementation (April 1997)							
Heading 2: Transfer for Structural Funds (commitments)						- 500	1045
Heading 2: Transfer for Cohesion Fund (commitments)							17
Overall ceiling - appropriations for commitments							1062
Ceiling - Appropriations for payments						- 300	300

ANNEX I
FINANCIAL PERSPECTIVE (EU-15)

Commitment appropriations		2000	2001	2002	2003	2004	2005	2006
		<i>(EUR million — 1999 prices)</i>						
1. AGRICULTURE		40 920	42 800	43 900	43 770	42 760	41 930	41 660
Common agricultural policy (not including rural development)		36 620	38 480	39 570	39 430	38 410	37 570	37 290
Rural development and accompanying measures		4 300	4 320	4 330	4 340	4 350	4 360	4 370
2. STRUCTURAL OPERATIONS		32 045	31 455	30 865	30 285	29 595	29 595	29 170
Structural Funds		29 430	28 840	28 250	27 670	27 080	27 080	26 660
Cohesion Fund		2 615	2 615	2 615	2 615	2 515	2 515	2 510
3. INTERNAL POLICIES ⁽¹⁾		5 930	6 040	6 150	6 260	6 370	6 480	6 600
4. EXTERNAL ACTION		4 550	4 560	4 570	4 580	4 590	4 600	4 610
5. ADMINISTRATION ⁽²⁾		4 560	4 600	4 700	4 800	4 900	5 000	5 100
6. RESERVES		900	900	650	400	400	400	400
Monetary reserve		500	500	250	0	0	0	0
Emergency aid reserve		200	200	200	200	200	200	200
Loan guarantee reserve		200	200	200	200	200	200	200
7. PRE-ACCESSION AID		3 120	3 120	3 120	3 120	3 120	3 120	3 120
Agriculture		520	520	520	520	520	520	520
Pre-accession structural instruments		1 040	1 040	1 040	1 040	1 040	1 040	1 040
PHARE (applicant countries)		1 560	1 560	1 560	1 560	1 560	1 560	1 560
TOTAL COMMITMENT APPROPRIATIONS		92 025	93 475	93 955	93 215	91 735	91 125	90 660

Commitment appropriations	2000	2001	2002	2003	2004	2005	2006
TOTAL PAYMENT APPROPRIATIONS							
Payment appropriations as % of GNP	89 600 1,13 %	91 110 1,12 %	94 220 1,13 %	94 880 1,11 %	91 910 1,05 %	90 160 1,00 %	89 620 0,97 %
AVAILABLE FOR ACCESSION (payment appropriations)							
Agriculture			4 140	6 710	8 890	11 440	14 220
Other expenditure			1 600 2 540	2 030 4 680	2 450 6 440	2 930 8 510	3 400 10 820
CEILING ON PAYMENT APPROPRIATIONS	89 600	91 110	98 360	101 590	100 800	101 600	103 840
Ceiling on payment appropriations as % of GNP	1,13 %	1,12 %	1,18 %	1,19 %	1,15 %	1,13 %	1,13 %
Margin for unforeseen expenditure	0,14 %	0,15 %	0,09 %	0,08 %	0,12 %	0,14 %	0,14 %
Own resources ceiling	1,27 %	1,27 %	1,27 %	1,27 %	1,27 %	1,27 %	1,27 %

(¹) In accordance with Article 2 of Decision No 182/1999/EC of the European Parliament and of the Council and Council Decision 1999/64/Euratom (OJ L 26, 1.2.1999, p. 1 and p. 34), the amount of expenditure available during the period 2000 to 2002 for research amounts to EUR 11 510 million at current prices.

(²) The expenditure on pensions included under the ceilings for this heading is calculated net of staff contributions to the relevant scheme, within the limit of EUR 1 100 million at 1999 prices for the period 2000 to 2006.

ANNEX I

Financial Framework 2007-2013

(EUR million — 2004 prices)

Commitment appropriations	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	51 267	52 415	53 616	54 294	55 368	56 876	58 303	382 139
1a Competitiveness for Growth and Employment	8 404	9 097	9 754	10 434	11 295	12 153	12 961	74 098
1b Cohesion for Growth and Employment	42 863	43 318	43 862	43 860	44 073	44 723	45 342	308 041
2. Preservation and Management of Natural Resources	54 985	54 322	53 666	53 035	52 400	51 775	51 161	371 344
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	120 702	121 473	122 564	122 952	124 007	125 527	127 091	864 316
as a percentage of GNI	1,10 %	1,08 %	1,07 %	1,04 %	1,03 %	1,02 %	1,01 %	1,048 %
Total payment appropriations	116 650	119 620	111 990	118 280	115 860	119 410	118 970	820 780
as a percentage of GNI	1,06 %	1,06 %	0,97 %	1,00 %	0,96 %	0,97 %	0,94 %	1,00 %
Margin available	0,18 %	0,18 %	0,27 %	0,24 %	0,28 %	0,27 %	0,30 %	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 EUR 500 million at 2004 prices for the period 2007-2013.

Annex 3

The Commission's Budget Review paper

Selected quotes from the Commission's Budget Review:

On infrastructures (transport, communication, energy):

"As examples: until 2020, €500bn is estimated to be needed for the implementation of the TEN-T programme and between €38-58bn and €181-268bn to achieve the Commission's broadband targets. In the energy sector, €400bn is estimated as the need for distribution networks and smart grids, another €200bn on transmission networks and storage, and €500bn to upgrade existing and build new generation capacity, particularly in renewable energy, between now and 2020".

On energy and climate policies:

"One option would be to reshape the EU budget to create large-scale, dedicated funds devoted to the delivery of investment in such areas...This approach could be taken forward as an option based on distinct programmes. Nevertheless, mainstreaming these priorities into different programmes may be a more effective approach, recognising that the same action can and should pursue different objectives at once. The primacy of policy goals like climate change and energy would already point to a re-prioritisation inside policies like research, cohesion, agriculture and rural development – with a clear political earmarking balanced by the need to avoid new rigidities. This could be accompanied with a clear cross-cutting obligation to identify where programmes had promoted such policies. The result should mean that the EU would be able to set out clearly what resources were contributing to policies like tackling climate change or supporting energy security, irrespective of the instruments through which these policies are delivered".

On Cohesion policy:

"Another technique to increase the quality of spending would be to introduce some form of qualitative competition among programmes for cohesion funding. This could mean setting aside a limited share of cohesion funding in a performance reserve open to all eligible Member States and regions. It would be allocated on the basis on progress made by national and regional programmes towards Europe 2020 objectives".

On external policies:

"on climate finance commitments...whether the role of the EU budget should be complemented by a separate instrument to bring together a stable and visible collective EU contribution".

On Development and Cooperation:

"The experience with respect to the different financial regimes that apply to the European Development Fund and the Development and Cooperation Instrument today has raised important issues in terms of efficiency, flexibility and democratic procedure, which require further examination".



EUROPEAN PARLIAMENT

2009 - 2014

*Special committee on the policy challenges and budgetary resources for a sustainable
European Union after 2013*

17.11.2010

REFLECTION PAPER

on Flexibility in the post 2013 MFF

Rapporteur: **Salvador GARRIGA POLLEDO**

Introduction

Established for the first time in 1988, the practice of multiannual financial planning was a response to strong confrontations between the European Parliament and the Council during budgetary negotiations. Characterised by a legally binding status since the Treaty of Lisbon, the multi-annual financial framework lays down the amounts of annual ceilings by category of expenditure for a given period of time ("at least 5 years", since the Treaty of Lisbon) and therefore ensures a reduction of the scope of conflict as well as better planning and better medium-term predictability.

This improvement in stability has, however, gone hand in hand with a reduction of flexibility of the EU budget, understood as the ability of the EU to adjust quickly to unforeseen events or changing priorities.

Looking at the current 2007-2013 MFF, it very early became apparent that the fixed ceilings are too low to respond to new developments and priorities. Difficulties to translate such new commitments as Galileo, ITER, the Food Facility or the European Economic Recovery Plan, into budgetary means, clearly showed the limits to the flexibility of the framework.

The aim of this reflection paper is to stimulate discussion in the SURE Committee on the possibilities to modify the financial framework profile throughout the multi-annual period.

Flexibility of the current MFF

In this paper, the Rapporteur concentrates on the two main sources of flexibility: flexibility instruments and revisions⁴⁵.

Flexibility instruments

The IIA lays down provisions for a number of instruments of flexibility that can be mobilised in case of need, namely the Emergency Aid Reserve (EAR), the European Union Solidarity Fund (EUSF), the Flexibility Instrument (FI) and the European Globalisation Adjustment Fund (EGAF). These instruments allow expenditure to be budgeted above the ceilings for the various headings of the MFF. They differ in nature, scope, amounts potentially available and procedures to mobilise them, which influence the degree of flexibility they actually provide.

The table below summarises the main modalities of the flexibility instruments.

⁴⁵ Other possibilities to adapt the EU budget include:

- possibilities for transfer- art. 23 and 24 of the Financial Regulation
- "legislative flexibility"- the possibility to depart by up to 5% from the financial envelope set in the legislative acts for multi-annual programmes over the entire duration of the programme concerned (art 37 of the IIA on budgetary discipline and sound financial management)
- annual and other adjustments linked to implementation: for movements of prices, implementation, payments GDP, excessive government deficits and enlargement, art. 16-20 and 29 of the IIA.

	Scope	Annual Amount	Procedure
FI	General- financing of clearly identified expenditure, which could not be financed within the limits of ceilings available for headings	EUR 200 m Possibility for unused amount to be carried over up to year n+2 Prior examination of all possibilities for re-allocating appropriations under the relevant heading	COM proposal, in the draft budget or a draft amending budget Decision taken by Council and EP
EGAF	Financing of additional support for workers who suffer from the consequences of major structural changes in world trade patterns, to assist them with reintegration into the labour market	EUR 500 m Entered as a provision and to be transferred to Heading 1a, if necessary above the ceiling Amount drawn from margins existing under the global expenditure ceiling of the previous year and/or from cancelled CA from the previous 2 years, excluding H1b	COM transfer proposal from the reserve and initiation of a trilogue procedure, 'if necessary in simplified form' Decision to transfer taken by Council and EP
EUSF	Financing of assistance in the event of major natural disasters occurring on the territory of a MS or candidate country	EUR 1 billion per year, used under H3b, if necessary above ceiling No carry over of the portion not entered in the budget, but the annual amount available for the following year may be used (within the 1 billion limit) Prior examination of the scope for re-allocating appropriations under H3b	COM amending budget proposal and initiation of a trilogue procedure, 'if necessary in simplified form' Decision taken by Council and EP
EAR	Financing specific aid requirements of third countries following events which could not be foreseen, humanitarian operations and civil crisis management and protection	EUR 221 m (constant prices) + one-off increase of EUR 240 m for the food facility in 2008, entered as a provision to be transferred under H4, if necessary above the ceiling. Prior examination of the scope for re-allocating appropriations under H4	COM transfer proposal from the reserve to the appropriate line and initiation of a trilogue procedure, 'if necessary in simplified form' Decision taken by Council and EP on the basis of art. 26 of FR

Since 2007, all instruments have been broadly used but with varying degrees of intensity. The table below provides a summary of the use of flexibility instruments⁴⁶.

Use of flexibility instruments (€million):

	2007	2008	2009	2010	2007-2010
Flexibility Instrument	0	270	420	213	903
European Globalisation Adjustment Fund	19	49	52	63	182
European Union Solidarity Fund	197	273	623	80	1.172
Emergency Aid Reserve	49	422	188	232	891
Total flexibility instruments	264	1.014	1.283	588	3.149

Current prices

⁴⁶ For details see the attached note on *Flexibility in the MFF 2007-2013: revisions and use of instruments*

The Flexibility Instrument has been the most fully implemented. With EUR 200 million per year, it is on one hand the smallest instrument in terms of resources available (the annual amounts represent around 0,14% of the MFF global ceiling). It is also the only instrument with a general scope, i.e. which can be used to finance needs corresponding to all MFF headings. The Flexibility Instrument has been mobilised mainly to fund initiatives that could not be sufficiently financed under headings 1a and 4.

The Emergency Aid Reserve, the second smallest instrument in terms of the envelope (EUR 221 million yearly in constant prices), has also been used quite substantially, with an exceptional increase in 2008 to finance the Food Facility.

In terms of real amounts allocated, the greatest amount has been drawn from the instrument potentially providing the most resources - the European Union Solidarity Fund (EUR 1172 million representing only 29% of the amounts potentially available). Utilisation of the European Globalisation Adjustment Fund, on the other hand, has remained fairly modest so far (EUR 182 million representing 9% of the amounts potentially available).

As for the procedures, as pointed out in the Commission Report on the functioning of the IIA⁴⁷, "although for the last three instruments the common strand is the trilogue procedure, the pragmatic solution has been that no trilogue took place, unless a regular budgetary trilogue was on the horizon. For the Flexibility Instrument, once the political decision to mobilise was taken, the procedure advanced quite smoothly, the main issue there being that of available means, compared to the vast array of needs".

Revisions

Articles 21 to 23 of the IIA provide that the MFF may be revised in order to allow the Community to deal with unforeseen circumstances, within the limit of the own-resources ceiling. The decision to proceed with such a revision is taken jointly by the two arms of the budgetary authority, with the European Parliament acting by a majority of its members and three fifths of the votes cast, and the Council acting by qualified majority up to 0.03% of EU GNI and by unanimity if the revision is above this threshold. Any revision requires prior examination of the scope for reallocation of expenditure within the heading and for offsetting the raising of the ceiling for one heading by the lowering of the ceiling for another.

Since 2007, these revisions instrument have been used three times: for the financing of Galileo and the EIT and the European Economic Recovery Plan 1 and 2⁴⁸. Details of the revisions are described in the attached note. These revisions have triggered a number of modifications, but mostly reallocations within heading 1a and lowering of other headings, most importantly heading 2.

Revisions have proven to be a heavy instrument. Indeed, the Parliament has often criticised the "irrational behaviour of the Council, which repeatedly opposes the use of

⁴⁷ COM(2010)185 final, 27.4.2010

⁴⁸ In addition, the financing of the Food Facility required an amendment of the IIA, exceptionally increasing the EAR by an amount of 240 million in 2008.

this possibility of revision⁴⁹". Agreement for a revision was often subject to protracted and lengthy negotiations. The possibility to have a qualified majority vote in the Council (i.e. under the 0.03% threshold) was crucial in terms of reaching an agreement. Moreover, as the Council only accepted the principle of a revision to the extent that it does not increase the overall 2007-2013 MFF ceiling, these revisions have been possible thanks to the use of margins (i.e. unallocated money) in other headings, especially heading 2.

It appears however, that the possibility to use this option for the remaining period of the MFF is considerably limited. Indeed, the margins available according to the financial programming published by the Commission in May 2010 for the budget years 2011-2013 are very tight.

The table below illustrates margins available for the remainder of the current MFF.

Margins currently remaining under the multiannual financial framework ceilings 2010-2013				
	Budget	Draft Budget	Financial Programming	
	2010	2011	2012	2013
Heading 1A	0	50.1	34	47
Heading 1B	1.4	16.9	1.4	0.4
Heading 2	456.2	851.8	126.2	131.4
Heading 3A	18.5	70.7	26.5	52.9
Heading 3B	0	15.2	18.1	22.8
Heading 4	0	70.3	132.3	134.6
Heading 5	43.5	160.6	122.7	151.3

Source: Commission Communication on the Budget Review

As emphasised by the Parliament, "this will prevent the institutions from taking any new, meaningful political initiative in areas set as priorities⁵⁰"

Conclusions on the use of flexibility sources in the current MFF

As mentioned in the Commission Budget Review⁵¹, over the first 4 years of the current MFF the above mentioned sources of flexibility have been extensively used to finance new priorities such as Galileo, the Food Facility and the European Economic Recovery Plan. The related adjustments to the MFF, provided by a mix of all flexibility sources totalled EUR 8400 million.

In light of the extent of the modifications that were necessary in the first 4 years of the MFF, the fact that the possibilities for adjustments for the remaining period without jeopardising EU traditional priorities are extremely limited, as well as the political and institutional difficulties to agree procedures and instruments to accommodate new priorities and unforeseen situations, it appears that "more flexibility within and across headings is an absolute necessity for the functioning capacities of the Union not only to

⁴⁹ EP resolution of 25 March 2009 on the Mid-Term Review of the 2007-2013 Financial Framework, P6_TA(2009)0174

⁵⁰ Report on the draft general budget of the European Union for the financial year 2010, P7_TA(2009)0115

⁵¹ COM(2010)700 final

face the new challenges of the EU but also to facilitate the decision-making process within the Institutions"⁵².

The post 2013 MFF: better flexibility for evolving challenges

While long-term planning has provided better stability, however it is obvious that an MFF designed at a certain point in time, in a given political and economic context (for ex. a financial crisis), with a multi-annual set of priorities (like the EU 2020), might in a few years prove inadapted to new circumstances and resulting initiatives, and to translate new political priorities into budgetary means.

It is also clear that the need for flexibility increases over time, therefore the longer the duration of the financial framework, the more critical the need to foresee possibilities to adapt to new situations.

Flexibility is therefore needed in the medium term, to allow to permanently adapt the framework to new developments. In this respect, the possibility of a review at some stage of functioning of the MFF, is essential⁵³. Should the review establish the inadequacy of the ceilings for the rest of the period- a real possibility to adjust them should exist. In the medium-term therefore, the degree of flexibility is therefore dependent, as we have seen it, on the procedure for revision, and on the general attitude towards using it.

On a shorter term, the framework should provide sufficient capacity of manoeuvre to facilitate the adaptation of the budget in case of unforeseen events by allowing one-off adjustments of the MFF. In this respect, a number of features could be considered for the post 2013 MFF.

In its Communication on the Budget Review⁵⁴, the Commission proposes to fix an obligatory figure for increased margins, for ex. 5%. *"Such a figure could also be set at a lower level for the first 5 years of the financial period and at a higher percentage for the remaining years, or be set to increase year on year"*.

Other proposals put forward by the Commission include:

- A reallocation flexibility to transfer between headings in a given year, within a specific limit;
- A possibility to transfer unused margins from one year to another – again, within agreed limits;
- Freedom to front or backload spending within a heading's multi-annual envelope, to allow for countercyclical action and a meaningful response to major crises;
- Increasing the size, or widening the scope, of the existing Flexibility Instrument and Emergency Aid Reserve, and possibly merging them.

⁵² EP resolution on the Mid-term Review of the 2007-2013 Financial Framework (25 march 2009)

⁵³ On the basis on Declaration 3 of the IIA, the European Parliament has repeatedly called for such a review of the current MFF.

⁵⁴ COM(2010)700 final

These are certainly interesting options, which could be clarified and further developed as to the modalities and procedures. Indeed, the degree of flexibility these mechanisms would actually provide will depend very much on the procedures to trigger them. The decision-making process must be "soft" enough to allow their effective use, otherwise these possibilities will remain purely theoretical. In this respect, as we have seen earlier, the current arrangement allowing an agreement by qualified majority in the Council for revisions below the ceiling of 0,03% GNI has been crucial in terms of reaching a decision.

Against this background, the Rapporteur suggests to structure the discussion along the following questions:

Medium-term flexibility of the MFF

Review of the MFF

How should the obligation of a review be enshrined in legal terms, so as to ensure that it is actually carried out and the EP's rights are fully respected, in particular in the case of a MFF with a duration of 5+5 years? What should be the scope and the timing for a review of the MFF? How to ensure a review process that offers the right balance between the possibilities to modify the MFF and the preservation of the necessary stability?

Revisions

In case the review process leads to a decision to modify the framework, what should be the procedure for revisions? Should the current 0,03% GNI threshold below which QMV in the Council applies be maintained?

Shorter-term flexibility

Obligatory margins

Such obligatory margins would in fact create reserves for individual headings. Would fixed margins be a realistic solution, in view of the amounts already programmed for multi-annual activities? What should be the level of such obligatory margins

Commission proposals on reallocations between headings in a given year, transfer of unused margins from one year to another, freedom to front- or backload spending within a heading multi-annual envelope

The real degree of flexibility would depend on the decision-making procedures applying in both arms of the budgetary authority. What should be the procedure and the modalities for these flexibility devices?

Flexibility instruments

To what extent and how can the modalities of the flexibility instruments be modified?⁵⁵ In case of merging of the Flexibility Instrument and the EAR, will the Flexibility Instrument then remain a general flexibility instrument or a specific one for heading 4? Should it remain general in scope, how to ensure that specific flexibility needs of heading 4 are met, given the vast array of unforeseen financing needs in other sectors of EU activity?

Other parameters influencing the degree of flexibility

Structure⁵⁶

Flexibility is influenced by the number of expenditure headings and sub-headings and related ring-fencing. Could introducing a specific heading ("contingency reserve") for actions that have become necessary after an agreement on a new MFF has been reached be considered?

Duration⁵⁷

The shorter the period, the higher the flexibility.

What should be the mix of the above-mentioned proposals for flexibility in the new Framework?

Annexe

⁵⁵ Currently, the scope of the EUSF allows to provide assistance in case of natural (not man-made) disasters only. This instrument can therefore not be mobilised for the recent toxic sludge in Hungary.

⁵⁶ A detailed examination of the implication of the MFF structure, is available in a separate Reflection Paper by the Rapporteur

⁵⁷ This subject will be treated more extensively in a separate Reflection Paper.



ЕВРОПЕЙСКИ ПАРЛАМЕНТ PARLAMENTO EUROPEO EVROPSKÝ PARLAMENT EUROPA-PARLAMENTET
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PARLEMENT EUROPÉEN PARLAIMINT NA HEORPA PARLAMENTO EUROPEO EIROPAS PARLAMENTS
EUROPOS PARLAMENTAS EURÓPAI PARLAMENT IL-PARLAMENT EWROPEW EUROPEES PARLEMENT
PARLAMENT EUROPEJSKI PARLAMENTO EUROPEU PARLAMENTUL EUROPEAN
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Directorate-General for Internal Policies of the Union
Directorate for Budgetary Affairs
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Flexibility in the MAFF 2007-2013: revisions and use of instruments

25.10.2010

Flexibility in the MAFF 2007-2013: revisions and use of instruments

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Flexibility in the MAFF 2007-2013: revisions and use of instruments

1. Introduction

- 1.1 The financial framework as laid down in the interinstitutional agreement provides various elements of flexibility:
- Possibilities to revise **financial envelopes**: the budgetary authority may depart by up to 5% from the financial envelope set in the legislative acts for multi-annual programmes over the life of the programme concerned, or more if new, objective, long-term circumstances arise (IIA point 37);
 - Possibilities to revise the **financial framework ceilings** up to the own resources ceiling (IIA point 22);
 - Possibilities to use **instruments** providing extra resources, if necessary above the financial framework ceilings: the Emergency Aid Reserve (IIA point 25), the European Union Solidarity Fund (IIA point 26), the Flexibility Instrument (IIA point 27), the European Globalisation Adjustment Fund (IIA point 28).
- 1.2 This note examines the use made of the second and third forms of flexibility (revision of the financial framework ceilings and use of instruments to go beyond the ceilings) since the start of the current financial framework. Total revisions and use of instruments in the current financial framework amount to €8,4 billion so far.

2. Revision of financial framework ceilings

- 2.1 A distinction must be made between adjustments to the financial framework ceilings and revisions, both of which must comply with the own resources ceiling.

Adjustments

- 2.2 The interinstitutional agreement on the budget provides for adjustments to the financial framework for movements in prices, implementation, payments and GDP. Adjustments connected with excessive government deficits are also provided for, along with adjustments to cater for enlargement.
- 2.3 Technical adjustments by the Commission :
- Each year, re-evaluation of the ceilings at year n+1 prices on the basis of a fixed deflator of 2% a year (IIA point 16);
 - In 2010, adjustment of the amounts allocated from cohesion funds to Member States for the years 2011-2013 to take into account divergence from cumulated GDP estimates for the years 2007-2009 (IIA point 17);
 - In 2010, updating of the forecasts for payments after 2013 (IIA point 19);

- 2.4 Technical adjustments by the Council (qualified majority) and the European Parliament (majority of its members and three fifths of the votes cast) on a proposal from the Commission :
- Adjustment of Structural Funds, Cohesion Fund, Rural Development and the European Fund for Fisheries in the event of the adoption after 1 January 2007 of new rules or programmes (IIA point 48);
 - Adjustment of payments in the light of implementation (IIA point 18);
 - Transfer to the following years of suspended commitments relating to Cohesion Fund in the context of an excessive deficit procedure (IIA point 20);
 - Adjustment to take account of expenditure requirements resulting from the outcome of accession negotiations (IIA point 29).
- 2.5 Other technical adjustments of the financial framework may also be carried out, such as the adjustment consequent upon the decision to include Financial Services Indirectly Measured (FISIM) in the measurement of GNI, which brought about a reduction of 0,01 per cent points in the Own Resources ceiling and an 0,02 per cent points reduction in the financial framework commitments ceiling for 2010-2013.

Revisions

- 2.6 Revisions, on the other hand, provide flexibility by allowing the financial framework to be modified to cope with unforeseen circumstances.
- 2.7 The rules concerning use of revisions are as follows:
- Only in the event of unforeseen circumstances
 - As a general rule, before the start of the budgetary procedure for the year or the first of the years concerned
 - Examination of the scope for reallocation within the heading
 - Examination of the scope for offsetting the raising of the ceiling for one heading by the lowering of the ceiling for another
 - Maintaining of an appropriate relationship between commitments and payments
- 2.8 The procedure is as follows:
- Proposal from the Commission
 - Up to 0.03% of EU GNI, decision of the Council acting by qualified majority and of the European Parliament acting by a majority of its members and three fifths of the votes cast (point 3 of IIA)
 - Above 0.03% of EU GNI, decision of the Council acting by unanimity and of the European Parliament acting by a majority of its members and three fifths of the votes cast
- 2.9 Clearly there is a greater degree of flexibility concerning decisions to revise the financial framework by up to 0,03% of EU, which are taken by Council acting by qualified majority, than concerning decisions to revise the financial framework beyond this level, which require unanimity in the Council.

2.10 The following table gives an illustration of the amount of flexibility potentially available at the start of the current financial framework, based on EU GNI figures calculated by dividing the payments ceiling figures by figures for payments as a percentage of EU GNI.

MAFF - possible revisions available (€million):

	2007	2008	2009	2010	2011	2012	2013	2007-2013
MAFF payments ceiling	116.650	119.620	111.990	118.280	115.860	119.410	118.970	820.780
MAFF OR ceiling	136.458	139.933	143.162	146.667	149.653	152.648	156.939	1.017.767
possible revision available	19.808	20.313	31.172	28.387	33.793	33.238	37.969	196.987
of which: 0,03% of EU GNI	3.301	3.385	3.464	3.548	3.621	3.693	3.797	24.623

2.11 Since 2007, the financial framework has been revised for the following:

- Galileo and the European Institute of Innovation and Technology
- European Economic Recovery Plan 1
- European Economic Recovery Plan 2

Galileo and the European Institute of Innovation and Technology

- Decision of 17 December 2007
- € 2.4 billion for the European Global Satellite System (GNSS) programmes (EGNOS & Galileo) faced with a lack of cofinancing and € 309 million for the new European Institute of Innovation and Technology (EIIT) :
- Reallocation within the H1a of € 907 million
- Raising of H1a and lowering of H2 for € 1.6 billion
- Adjustment of the annual ceilings of payments in order to keep an appropriate relationship between commitments and payments
- Use of the Flexibility Instrument for € 200 million - see following section for further details on the use of the Flexibility Instrument
-

Commitment appropriations	2007	2008	2009	2010	2011	2012	2013	2007-2013
1. Sustainable Growth	51.267	52.913	54.071	54.860	55.379	56.845	58.256	383.591
1a Competitiveness	8.404	9.595	10.209	11.000	11.306	12.122	12.914	75.550
revisions	0	498	455	566	11	-31	-47	1.452
2. Preservation and Management	53.478	54.322	53.666	53.035	52.400	51.775	51.161	369.837
revisions	-1.507	0	0	0	0	0	0	-1.507
Total commitment appropriations	119.195	121.971	123.019	123.518	124.018	125.496	127.044	864.261
revisions	-1.507	498	455	566	11	-31	-47	-55
Total payment appropriations	115.142	119.805	112.182	118.549	116.178	119.659	119.161	820.676
revisions	-1.508	185	192	269	318	249	191	-104

NB. The figures in the text are in current prices; the figures in the table are in 2004 prices

The European Economic Recovery Plan 1

- Decision of 6 May 2009
- Raising of H1a and lowering of H2 by € 2 billion in order to :
 - Finance, in the framework of the European Economic Recovery Plan for modernisation of infrastructures and energy solidarity, projects in the field of energy and broadband Internet
 - Strengthen 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)
- Adjustment of the annual ceilings of payments in order to keep an appropriate relationship between commitments and payments

Commitment appropriations	2007	2008	2009	2010	2011	2012	2013	2007-2013
1. Sustainable Growth	50.865	53.262	55.883	54.860	55.400	56.866	58.256	385.392
1a Competitiveness	8.404	9.595	12.021	11.000	11.306	12.122	12.914	77.362
revisions	0	0	1.812	0	0	0	0	1.812
2. Natural Resources	51.962	54.685	52.205	53.379	52.528	51.901	51.284	367.944
revisions	0	0	-1.812	0	0	0	0	-1.812
Total commitment appropriations	117.277	122.683	123.370	123.862	124.167	125.643	127.167	864.169
revisions	0	0	0	0	0	0	0	0
Total payment appropriations	115.142	119.805	110.439	119.126	116.552	120.145	119.391	820.600
revisions	0	0	-1.743	577	374	486	230	-76

NB. The figures in the text are in current prices; the figures in the table are in 2004 prices

The European Economic Recovery Plan 2

- Decision of 17 December 2009
- Same purpose as for EERP1.
- Revision of € 1 779 million, the raising of H1a being compensated by a lowering of 4 headings or subheadings

Commitment appropriations	2007	2008	2009	2010	2011	2012	2013	2007-2013
1. Sustainable Growth	50.865	53.262	55.879	56.435	55.400	56.866	58.256	386.963
1a Competitiveness	8.404	9.595	12.018	12.580	11.306	12.122	12.914	78.939
revisions	0	0	-3	1.580	0	0	0	1.577
1b Cohesion	42.461	43.667	43.861	43.855	44.094	44.744	45.342	308.024
revisions	0	0	-1	-5	0	0	0	-6
2. Natural Resources	51.962	54.685	51.023	53.238	52.528	51.901	51.284	366.621
revisions	0	0	-1.182	-141	0	0	0	-1.323
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
revisions	0	0	-5	0	0	0	0	-5
5. Administration	6.633	6.818	6.816	6.999	7.255	7.400	7.610	49.531
revisions	0	0	-157	-112	0	0	0	-269
Total commitment appropriations	117.277	122.683	122.022	125.184	124.167	125.643	127.167	864.143
revisions	0,0	0,0	-1348,0	1322,0	0,0	0,0	0,0	-26,0
Total payment appropriations	115.142	119.805	109.091	119.245	116.884	120.575	119.784	820.526
revisions	0,0	0,0	-1348,0	119,0	332,0	430,0	393,0	-74,0

NB. The figures in the text are in current prices; the figures in the table are in 2004 prices

3. Use of instruments above the ceilings

- 3.1 If spare resources available within the financial framework are not sufficient to meet needs, a series of instruments can be mobilised, including if necessary above the ceilings for the different headings of the financial framework. This section describes the rules governing the use of these instruments, the resources potentially available and the extent to which they have been used since 2007. Details of the individual decisions taken to mobilise each of the four instruments are contained in annex.
- 3.2 The amounts potentially available for all four instruments over the financial framework are shown in the table below. Note that in some cases annual allocations can be carried over to subsequent years - the exact details are explained in the individual notes on each of the instruments.

Amounts potentially available (€million):

	2007	2008	2009	2010	2011	2012	2013	2007-2013
Flexibility Instrument	200	200	200	200	200	200	200	1.400
European Globalisation Adjustment Fund	500	500	500	500	500	500	500	3.500
European Union Solidarity Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	7.000
Emergency Aid Reserve	235	479	244	249	254	259	264	1.983
Total flexibility instruments	1.935	2.179	1.944	1.949	1.954	1.959	1.964	13.883
MFF global ceiling	124.457	132.797	134.722	140.978	142.965	147.546	152.312	975.777
Total instruments/MFF global ceiling, %	1,55	1,64	1,44	1,38	1,37	1,33	1,29	1,42

Current prices

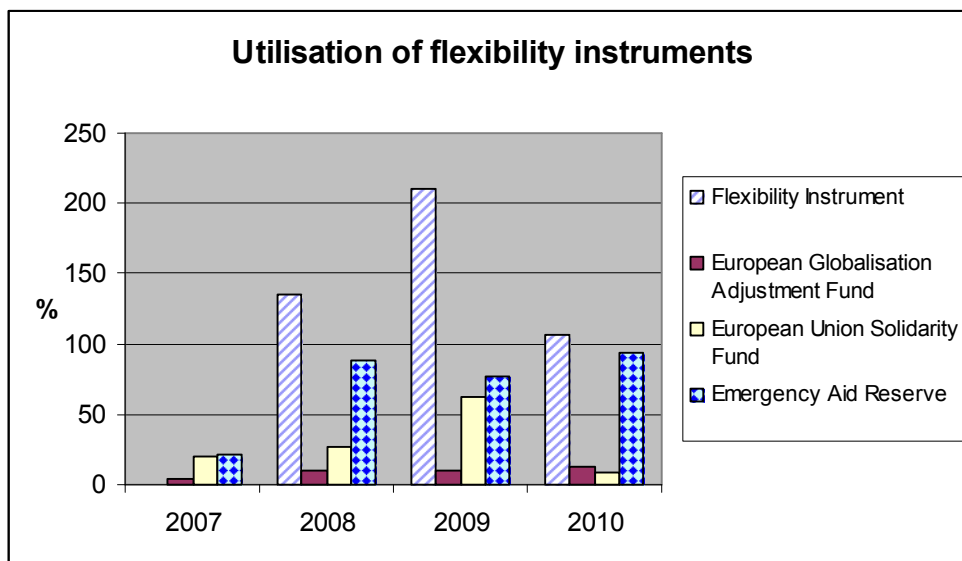
- 3.3 The extent to which each of the instruments has been used so far is shown in the table below. Note that the figures for 2010 contain both the decisions taken so far and any proposals currently under consideration by the Budgetary Authority.

Use of flexibility instruments (€million):

	2007	2008	2009	2010	2007-2010
Flexibility Instrument	0	270	420	213	903
European Globalisation Adjustment Fund	19	49	52	63	182
European Union Solidarity Fund	197	273	623	80	1.172
Emergency Aid Reserve	49	422	188	232	891
Total flexibility instruments	264	1.014	1.283	588	3.149

Current prices

- 3.4 The chart below shows that the smallest instrument in terms of resources available - the Flexibility Instrument - has been the most fully implemented, followed by the next smallest instrument - the Emergency Aid Reserve. In terms of resources allocated, the greatest amount has gone to the instrument potentially providing the most resources - the European Union Solidarity Fund. Utilisation of the European Globalisation Adjustment Fund, on the other hand, has remained fairly modest so far.



Flexibility Instrument

Rules :

- Financing of clearly identified expenditure which could not be financed within the limits of the ceilings available for headings.
- Annual ceiling of EUR 200 million. Possibility for unused amount to be carried over up to year n+2.
- All possibilities for re-allocating appropriations under the relevant heading must be examined prior to the mobilisation of the instrument.

Procedure :

- Commission proposal, in the draft budget or a draft amending budget, identifying the needs to be covered and the amount.
- Decision taken by Council and EP (point 3 of IIA).

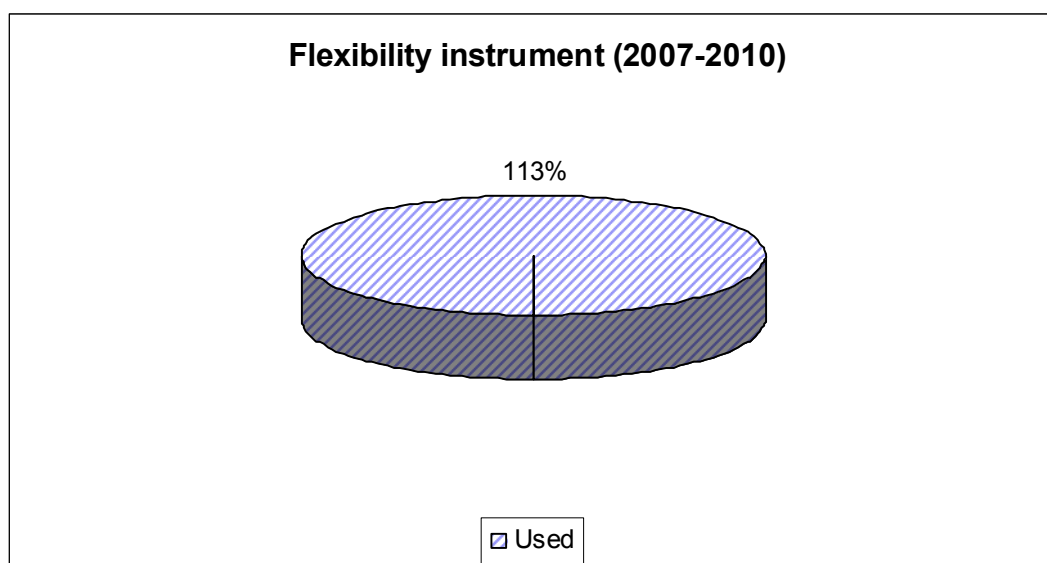
Amounts potentially available (€million):

	2007	2008	2009	2010	2011	2012	2013	2007-2013
Flexibility instrument ceiling	200	200	200	200	200	200	200	1.400
MFF global ceiling	124.457	132.797	134.722	140.978	142.965	147.546	152.312	975.777
Flexibility instrument/MFF global ceiling, %	0,16	0,15	0,15	0,14	0,14	0,14	0,13	0,14

Current prices

Use:

- 2008: 2 decisions - €200m for GNSS programmes (EGNOS and Galileo) and €70m for CFSP
- 2009: 1 decision - €420m for the food facility
- 2010: 2 decisions - €120m for the European Economic Recovery Plan and €75m for nuclear decommissioning (Kozloduy); 1 proposal currently under consideration - €18,3m for Banana Accompanying Measures (BAM)



European Globalisation Adjustment Fund⁵⁸ (EGAF)

Rules :

- Financing of additional support for workers who suffer from the consequences of major structural changes in world trade patterns, to assist them with their reintegration into the labour market
- Max annual amount of EUR 500 million entered as a provision (line 40 02 43) and to be transferred to Heading 1a, if necessary above ceiling
- Amount drawn from margins existing under the global expenditure ceiling of the previous year and / or from cancelled CA from the previous 2 years, excluding those related to Heading 1b

Procedure :

- Commission transfer proposal from the reserve to line 04 05 01 (p.m.)
- Decision to transfer taken by Council and EP (Point 3 of IIA)

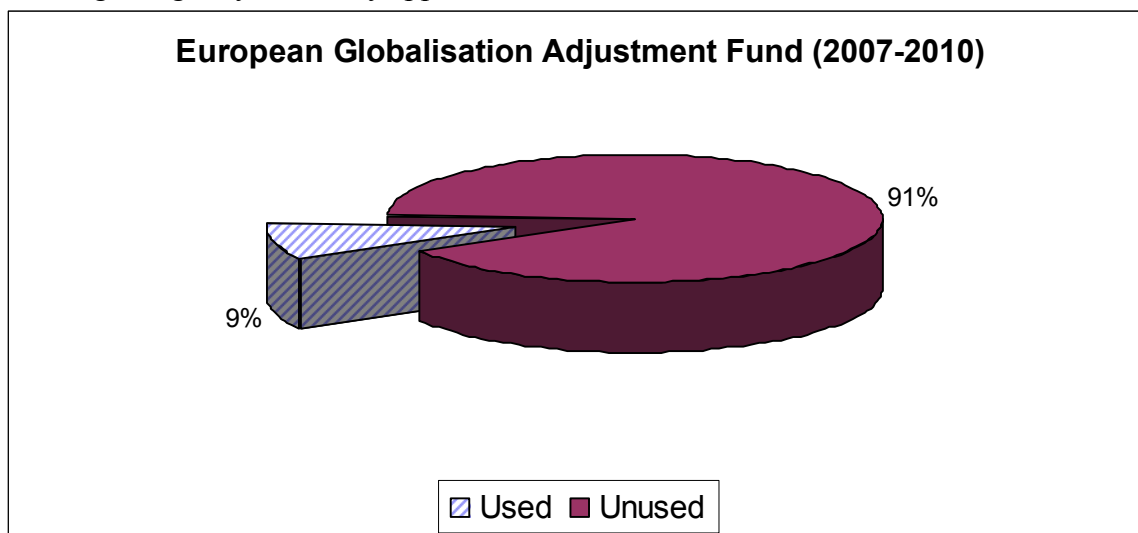
Amounts potentially available (€million):

	2007	2008	2009	2010	2011	2012	2013	2007-2013
European Globalisation Adjustment Fund ceiling	500	500	500	500	500	500	500	3.500
Ceiling of H1a	8.918	10.386	13.269	14.167	12.987	14.203	15.433	89.363
EGF/ceiling of H1a, %	5,6	4,8	3,8	3,5	3,9	3,5	3,2	3,9

Current prices

Use⁵⁹:

- 2007: 4 decisions totalling € 18,6m
- 2008: 8 decisions totalling € 49,0m
- 2009: 10 decisions totalling € 53,0m
- 2010: 15 decisions so far totalling €52,0m; 6 further proposals totalling €10,5m currently awaiting Budgetary Authority approval



⁵⁸ Regulation n°1927/2006 of 20 December 2006.

⁵⁹ See annex for details.

European Union Solidarity Fund⁶⁰ (EUSF)

Rules :

- Financing of assistance in the event of major natural disasters occurring on the territory of a Member State or of a candidate country
- Ceiling of EUR 1 billion per year, used under H3b, if necessary above ceiling
- No carry over of the portion not entered in the budget but the annual amount available for the following year may be used as far as the amount to be budgeted each year remains under EUR 1 billion
- Examination of the scope for re-allocating appropriations under H3b prior to the mobilisation of the instrument

Procedure :

- Commission amending budget proposal
- Decision taken by Council and EP (point 3 of IIA)

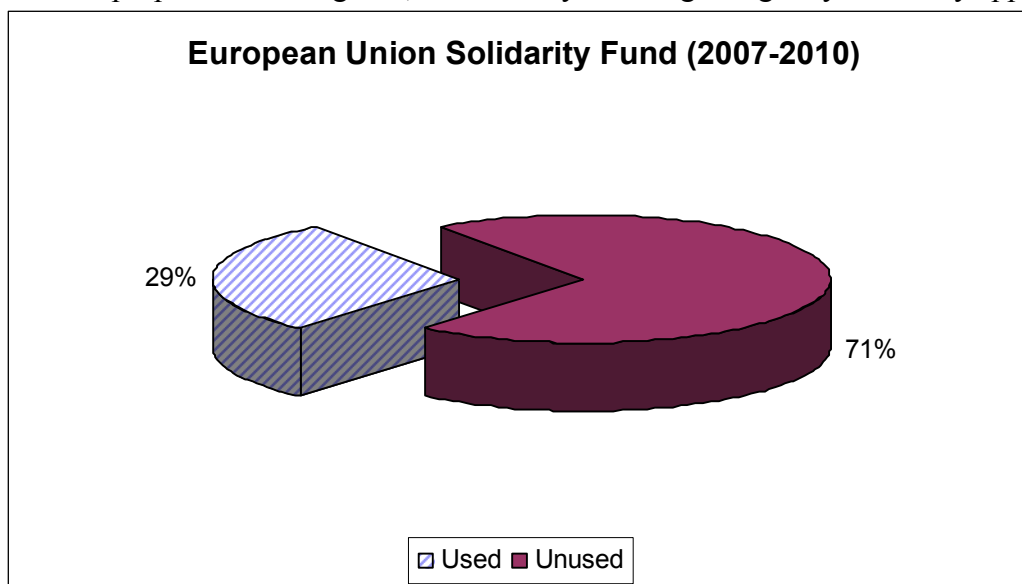
Amounts potentially available (€million):

	2007	2008	2009	2010	2011	2012	2013	2007-2013
European Union solidarity Fund ceiling	1.000	1.000	1.000	1.000	1.000	1.000	1.000	7.000
Ceiling of H3b	636	615	651	668	683	699	715	4.667
EUSF / ceiling of H3b, %	157	163	154	150	146	143	140	150

Current prices

Use⁶¹:

- 2007: 4 decisions totalling €196,6m
- 2008: 4 decisions totalling €273,2m
- 2009: 4 decisions totalling €622,5m
- 2010: 3 proposals totalling €79,9m currently awaiting Budgetary Authority approval



⁶⁰ Regulation n°2012/2002 of 11 November 2002.

⁶¹ See annex for details.

Emergency Aid Reserve

Rules :

- Financing of specific aid requirements of third countries following events which could not be foreseen, first and foremost for humanitarian operations but also for civil crisis management and protection
- Annual amount of EUR 221 million (constant prices) plus one-off increase of €240m for the food facility in 2008, entered as a provision (line 40 02 42) to be transferred under H4, if necessary above ceiling
- Examination of the scope for re-allocating appropriations under H3b prior to the mobilisation of the instrument

Procedure :

- Commission transfer proposal from the reserve to the appropriate line
- Decision taken by Council and EP on the basis of article 26 of FR

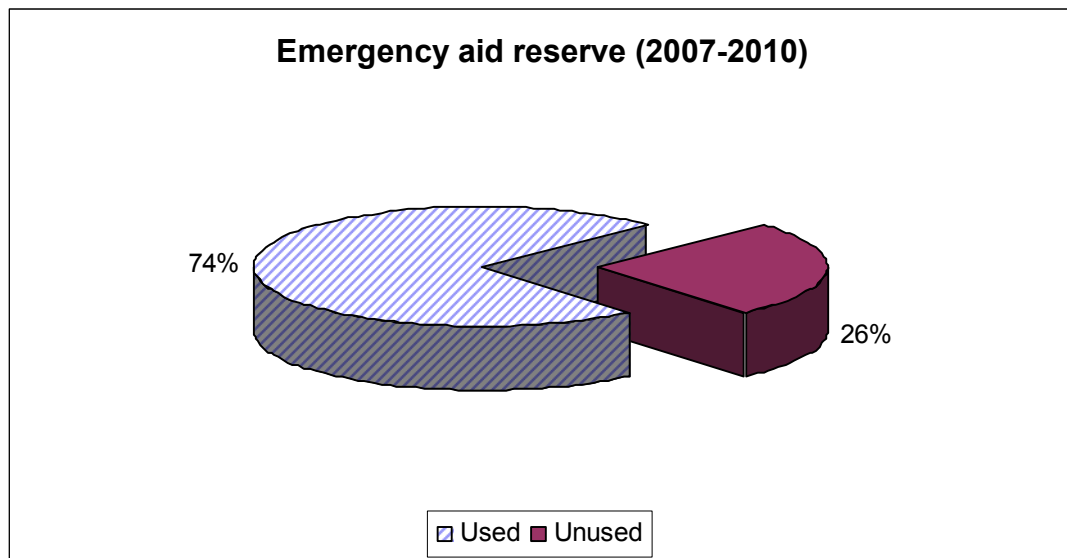
Amounts potentially available (€million):

	2007	2008	2009	2010	2011	2012	2013	2007-2013
Initial Emergency aid reserve (2004 prices)	221	221	221	221	221	221	221	1.547
EAR including increase for the food facility	234,5	479,2	244,0	248,9	253,8	258,9	264,1	1.983,4
Ceiling of H4	6578	7002	7440	7893	8430	8997	9595	55.935
EAR / ceiling of H4, %	3,6	6,8	3,3	3,2	3,0	2,9	2,8	3,5

Current prices

Use⁶²:

- 2007: 1 decision for €49,2m for Palestine
- 2008: 5 decisions totalling €421,5m for food aid, humanitarian aid, cooperation with Eastern Europe and the food facility
- 2009: 3 decisions totalling €188,0m for food aid, humanitarian aid and the food facility
- 2010: 4 decisions totalling €232,0 m for humanitarian aid and Palestine



⁶² See annex for details.

4. Flexibility in the MFF: Summary of revisions and use of instruments

4.1 The following table summarises the revisions to the MFF and use of instruments to provide flexibility since 2007:

FINANCING OF EERP + GALILEO + HIGH FOOD PRICES FACILITY

Commitment appropriations (EUR million)		TOTAL
Revision of heading 1A (fully compensated)		5.376
	Compensation mechanism	-5.376
	Compensation heading 1B	-7
	Compensation heading 2	-5.064
	Compensation heading 3A	-5
	Compensation heading 5	-300
Financed from the unallocated margin within H1A		84
Financed through redeployment and reprioritisation under H1A		600
Financed from the unallocated margin under heading H2		1.020
Financed through redeployment within H4		240
Use of flexibility instrument		740
Use of emergency aid reserve		340
Grand total		8.400

Source: The EU Budget Review, presentation by Commissioner Lewandowski at CEPS on 22.10.2010

Flexibility Instrument 2007-2010 - decisions

Decision of the European Parliament and of the Council of 18 December 2007 on the Mobilisation of the Flexibility Instrument

The decision provides for use of the Flexibility Instrument in the 2008 budget for the following:

- €200m for GNSS programmes (EGNOS and Galileo) under Article 06 02 10 Galileo Programme in sub-heading 1a
- €70m for CFSP under chapter 19 03 in heading 4

Decision of the European Parliament and of the Council of 18 December 2008 on mobilisation of the Flexibility Instrument in accordance with point 27 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management

The decision provides for use of the Flexibility Instrument in heading 4 of the 2009 budget for €420m for the facility for a rapid response to soaring food prices in developing countries

Decision of the European Parliament and of the Council of 17 December 2009 on the mobilisation of the Flexibility Instrument in accordance with point 27 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management

The decision provides for use of the Flexibility Instrument in subheading 1a of the 2010 budget for the following:

- €120m for energy project in the context of the European Economic Recovery Plan, and
- €75m for decommissioning of the Kozloduy power plant

Proposal for a Decision of the European Parliament and of the Council on the Mobilisation of the Flexibility Instrument, COM(2010)150 of 8.4.2010

The Budgetary Authority is currently considering this proposal for use of the Flexibility Instrument in heading 4 of the 2010 budget of €18,3 million for the financing of Banana Accompanying Measures (BAM)

European Globalisation Adjustment Fund 2007-2010 - all applications

No.	MS	Case	Content	Application date	Art 2	Glob?	Stage*	MS amount (€ mio)	EGF amount (€ mio)	People	EGF €/person
Applications received											
EGF/2007/001	FR	Peugeot	Motor industry suppliers	09/03/2007	a	t	7	2,6	2,6	267	9.581
EGF/2007/002	FR	Renault	Motor industry suppliers	23/03/2007	a	t	0				
EGF/2007/003	DE	BenQ	Mobile phones	27/06/2007	a	t	7	12,8	12,8	3.303	3.865
EGF/2007/004	FI	Perlos	Mobile phone components	18/07/2007	c	t	7	2,0	2,0	915	2.217
EGF/2007/005	IT	Sardegna	Textile sector	09/08/2007	b	t	6	11,0	11,0	1.044	10.509
EGF/2007/006	IT	Piemonte	Textile sector	10/08/2007	b	t	7	7,8	7,8	1.537	5.074
EGF/2007/007	IT	Lombardia	Textile sector	17/08/2007	b	t	6	12,5	12,5	1.816	6.902
EGF/2007/008	MT	Textiles	Textile sector	12/09/2007	c	t	7	0,7	0,7	675	1.009
EGF/2007/009	ES	DELPHI	Motor industry suppliers	08/10/2007	a	t	0				
EGF/2007/010	PT	Lisboa-Alentejo	Motor industry	09/10/2007	b	t	7	2,4	2,4	1.122	2.162
Total 2007								51,8	51,8	10.679	4.847
EGF/2008/001	IT	Toscana	Textile sector	12/02/2008	b	t	6	3,9	3,9	1.558	2.474
EGF/2008/002	ES	DELPHI	Motor industry suppliers	06/02/2008	a	t	7	10,5	10,5	1.589	6.590
EGF/2008/003	LT	Alytaus tekstilė	Textile sector	08/05/2008	a	t	7	0,3	0,3	600	498
EGF/2008/004	ES	Castilla Leon	Automotive sector	29.12.2008	b	t	6	2,7	2,7	588	4.582
EGF/2008/005	ES	Catalonia	Textile sector	29.12.2008	b	t	6	3,3	3,3	1.100	3.006
Total 2008								20,6	20,6	5.435	3.795
EGF/2009/001	PT	North/Centre	Textile sector	23.01.2009	b	t	6	0,8	0,8	1.000	833
EGF/2009/002	DE	Nokia	Mobile phones	06.02.2009	a	t	6	5,6	5,6	1.316	4.220
EGF/2009/003	AT	Magna Steyr	Motor industry suppliers	05.03.2009	a	t	0				
Amended Regulation											
EGF/2009/004	BE	Oost-West Vlaanderen	Textile sector	05.05.2009	b	t	4	4,0	7,5	1.568	4.796
EGF/2009/005	BE	Limburg	Textile sector	05.05.2009	b	t	4	0,9	1,7	631	2.661
EGF/2009/006	IT	Gruppo Merloni	Domestic appliances	28.05.2009	a	t	1	5,7	10,6	2.577	4.110
EGF/2009/007	SE	Volvo	Motor industry	05.06.2009	a	c	4	5,3	9,8	1.500	6.560
EGF/2009/008	IE	Dell	Computer	29/06/2009	a	c	4	8,0	14,8	2.400	6.180
EGF/2009/009	AT	Steiermark	Motor industry suppliers	09/07/2009	b	c	4	3,1	5,7	400	14.264
EGF/2009/010	LT	AB Snaige	Domestic appliances	23.07.2009	c	c	4	0,1	0,3	480	538
EGF/2009/011	NL	Heijmans	Construction	04.08.2009	a	c	4	0,2	0,4	435	888
EGF/2009/012	IE	Waterford Crystal	Crystal glass	07.08.2009	a	c	4	1,4	2,6	598	4.299
EGF/2009/013	DE	Karmann	Automotive sector	13.08.2009	b	t	4	3,3	6,2	1.739	3.565
EGF/2009/014	ES	Valencia	Ceramic industry	02.09.2009	b	c	4	3,6	6,6	1.600	4.124
EGF/2009/015	DK	Danfoss Group	Mech / Electronic	08.09.2009	a	c	3	4,8	8,9	1.010	8.805
EGF/2009/016	LT	Furniture	Furniture	23.09.2009	b	c	4	0,4	0,7	636	1.041
EGF/2009/017	LT	Construction	Construction	23.09.2009	b	c	4	0,6	1,1	806	1.388
EGF/2009/018	LT	Wearing apparel	Wearing apparel	23.09.2009	b	c	4	0,3	0,5	491	1.066
EGF/2009/019	FR	Renault	Automotive sector	09.10.2009	a	c	1	30,4	56,4	3.582	15.741
EGF/2009/020	ES	Castilla La Mancha	Wooden doors	09.10.2009	b	c	4	1,1	2,0	557	3.501
EGF/2009/021	IE	SR Technics	Aircraft Maintenance	09.10.2009	a	c	2	4,0	7,4	850	8.760
EGF/2009/022	BG	Kremikovtsi AD	Manufacture of basic metals	26.10.2009	a	c	8	0,6	1,1	643	1.683

No.	MS	Case	Content	Application date	Art 2	Glob?	Stage*	MS amount (€ mio)	EGF amount (€ mio)	People	EGF €/person
EGF/2009/023	PT	Qimonda	Electronic equipment	17.12.2009	a	c	2	1,3	2,4	839	2.867
EGF/2009/024	NL	Noord Holland and Zuid Holland	Publishing	30.12.2009	b	c	2	1,3	2,3	598	3.890
EGF/2009/025	NL	Noord Brabant	Publishing	30.12.2009	ce	c	0				
EGF/2009/026	NL	Noord Holland and Utrecht	Printing industry	30.12.2009	b	c	2	1,2	2,3	720	3.148
EGF/2009/027	NL	Noord Brabant and Zuid Holland	Printing industry	30.12.2009	b	c	2	1,6	2,9	821	3.520
EGF/2009/028	NL	Limburg	Printing industry	30.12.2009	ce	c	2	0,3	0,5	129	4.263
EGF/2009/029	NL	Gelderland and Overijssel	Printing industry	30.12.2009	b	c	2	1,1	2,0	650	3.098
EGF/2009/030	NL	Drenthe	Printing industry	30.12.2009	ce	c	2	0,2	0,5	140	3.240
EGF/2009/031	DK	Linak	Mech / Electronic	08.09.2009	ce	c	3	0,7	1,2	139	8.730
Total 2009								91,7	164,7	28.909	5.699
EGF/2010/001	DK	Nordjylland	Machinery/Equipment	22.01.2010	b	c	2	4,0	7,5	951	7.909
EGF/2010/002	ES	Cataluña	Automotive sector	29/01/2010	b	c	2	1,5	2,8	1.429	1.926
EGF/2010/003	ES	Galicia	Textile sector	05.02.2010	b	t	3	1,0	1,8	500	3.689
EGF/2010/004	PL	Wielkopolskie	Automotive sector	05.02.2010	b	c	1	0,3	0,6	590	1.073
EGF/2010/005	ES	Valencia	Stone marble	09/03/2010	b	c	1	0,8	1,4	300	4.743
EGF/2010/006	PL	H.Cegielski-Poznań	Engines	08/03/2010	a	c	1	0,1	0,1	189	604
EGF/2010/007	AT	Steiermark-Nideroesterreich	Basic metals	09/03/2010	b	c	1	4,8	9,0	408	22.031
EGF/2010/008	AT	AT&S	Printed circuit boards	11/03/2010	ce	t	1	1,5	2,7	465	5.811
EGF/2010/009	ES	Valencia	Textile sector	22/03/2010	b	t	1	1,1	2,1	350	5.884
EGF/2010/010	CZ	Unilever	Retail sector	24/03/2010	a	c	1	0,2	0,3	634	511
EGF/2010/011	NL	NXP Semiconductor s	Electronic equipment	26/03/2010	a	t	2	1,0	1,8	512	3.534
EGF/2010/012	NL	Noord Holland ICT	Electronic equipment	08/04/2010	b	c	1	1,4	2,6	613	4.172
EGF/2010/013	PL	Podkarpackie	Machinery/Equipment	27/04/2010	b	c	1	0,2	0,5	200	2.268
EGF/2010/014	SI	Mura	Textile sector	28/04/2010	a	c	1	1,2	2,2	2.554	880
EGF/2010/015	FR	Peugeot	Automotive sector	05/05/2010	a	c	1	20,5	38,1	2.089	18.215
EGF/2010/016	ES	Aragon	Retail sector	06/05/2010	b	c	1	0,8	1,6	1.154	1.352
EGF/2010/017	DK	Midtjylland machinery	Machinery/Equipment	11/05/2010	b	t	1	2,2	4,1	813	5.102
EGF/2010/018	DE	Heidelberger Druckmaschinen	Printing industry	27/05/2010	a	c	2	4,5	8,3	1.181	7.035
EGF/2010/019	IE	Construction 41	Construction	09/06/2010	b	c	1	22,1	41,0	8.763	4.677
EGF/2010/020	IE	Construction 43	Construction	09/06/2010	b	c	1	incl.above	incl.above	incl.above	incl.above
EGF/2010/021	IE	Construction 71	Construction	09/06/2010	b	c	1	incl.above	incl.above	incl.above	incl.above
EGF/2010/022	DK	LM Glasfiber	Wind turbines	07/07/2010	a	t	1	4,1	7,6	825	9.214
EGF/2010/023	ES	Lear	Automotive sector	23/07/2010	a	c	1	0,2	0,4	508	752
EGF/2010/024	NL	ABN Amrobank	Financial services	05/10/2010	a	c	1	2,8	5,2	1.350	3.829
EGF/2010/025	DK	Odense Steel Shipyard	Shipbuilding	06/10/2010	a	t	1	6,8	12,7	840	15.096
Total 2010								€83,1	€154,3	27.218	€5.670
Total so far								67	71	€247,1	€391,5

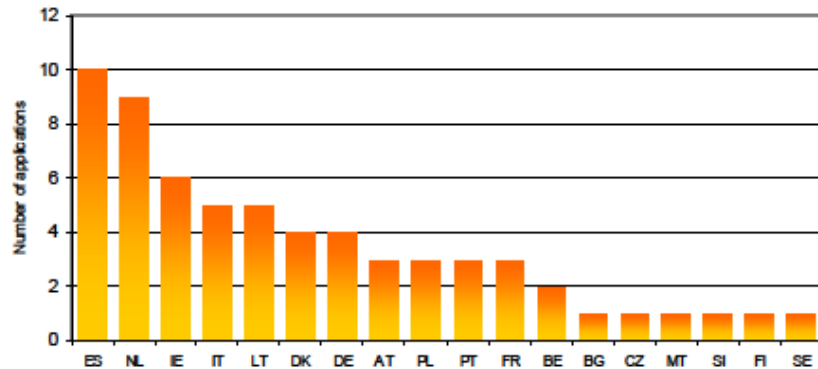
Stage*	
0. Withdrawn	4
1. Assessing application	22

No.	MS	Case	Content	Application date	Art 2	Glob?	Stage*	MS amount (€ mio)	EGF amount (€ mio)	People	EGF €/person
2. Budgetary Authority			12								
3. Financing Decision			3								
4. Implementing			14								
5. Preparing final report			0								
6. Assessing final report			7								
7. Closed			8								
8. Rejected			1								
Total			71								

Source: DG EMPL/B4 EGF, overview of EGF applications on 15.10.2010

European Globalisation Adjustment Fund 2007-2010 - applications per Member State

FIG. 1.2.3 - Number of applications by Member State, 2007-2010* / Nombre de demandes par État membre, 2007-2010* / Anzahl der Anträge nach Mitgliedstaat, 2007-2010*



Member State	2007-2010*	% of all applications
ES	10	15.9
NL	9	14.3
IE	6	9.5
IT	5	7.9
LT	5	7.9
DK	4	6.3
DE	4	6.3
AT	3	4.8
PL	3	4.8
PT	3	4.8
FR	3	4.8
BE	2	3.2
BG	1	1.6
CZ	1	1.6
MT	1	1.6
SI	1	1.6
FI	1	1.6
SE	1	1.6
Total	63	100

* Data available until 01/07/2010 / Données disponibles jusqu'au 01/07/2010 / Daten verfügbar bis zum 01/07/2010

European Union Solidarity Fund 2007-2010 - applications

Year	Country		Nature of the disaster	Damage¹ €m	Category¹	Aid granted¹ €m	Receipt of EUSF aid on national level²
2006	1	UK	Buncefield oil depot explosion	-700	(regional)	withdrawn	n/a
	2	GR	Evros flooding	372	regional	9,3	17/12/2007
	3	HU	Flooding	519	major	15,1	19/10/2007
	4	ES	Galia forest fires	-91	(regional)	Rejected	n/a
Total aid for 2006 applications						24.370	
2007	1	DE	Storm "Kyrill"	4750	major	166,9	27/12/2007
	2	FR	La Réunion, Cyclone "Gamede"	211	regional	5,3	28/12/2007
	3	ES	El Hierro flooding	-18	(regional)	Rejected	n/a
	4	ES	La Mancha flooding	-66	(regional)	Rejected	n/a
	5	UK	Flooding	4 612	major	162,4	27/10/2008
	6	CY	Forest fires	-38	(regional)	Rejected	n/a
	7	ES	Forest Fires Canary islands	-144	(regional)	Rejected	n/a
	Aug-16	IT	9 applications for forest fires in 9 regions	-	(regional)	not admissible, deadline missed	n/a
	17	FR	Storm Dean/Martinique	509	regional	12,8	24/12/2008 (payment)
	18	GR	Forest fires	2 118	major	89,8	29/09/2008 (payment)
	19	SI	Flooding	233	major	8,3	12/12/2008 (payment)
Total aid for 2007 applications						445,4	
2008	1	CY	Drought	165.4	major	7,6	09/10/2009
	2	RO	Floods	471.4	regional	11,8	29/10/2009
Total aid for 2008 applications						19,4	
2009	1	FR	Storm Klaus	3 805.5	major	109,4	25/11/2009
	2	IT	Abruzzo earthquake	10 212.0	major	493,8	30/11/2009
	3	GR	Forest fires 09	(152.8)	(regional)	Rejected	n/a
	4	CY	Storms 09	(2.6)	(regional)	Rejected	n/a
	5	GR	Evia floods	(83.2)	(regional)	Rejected	n/a
	6	IT	Messina Mudslide	(598.9)	(regional)	Rejected	n/a
Total aid for 2009 applications						603,1	

Year	Country		Nature of the disaster	Damage ¹ €m	Category ¹	Aid granted ¹ €m	Receipt of EUSF aid on national level ²
2010	1	IE	Flooding 09	520.9	regional	13,0	[amending budget procedure]
	2	IT	Tuscany flooding 09	(211.7)	(regional)	Rejected	n/a
	3	ES	Andalusia flooding 10	(709.7)	(regional)	Rejected	n/a
	4	PT	Madeira flooding	1 080	major	31,3	[amending budget procedure]
	5	FR	Storm Xynthia	1 425	<i>regional</i>	35,6	[amending budget procedure]
	6	SK	Flooding 10	<i>649.9</i>	major		decision pending
	7	PL	Flooding 10	<i>2 993.7</i>	major		decision pending
	8	CZ	Flooding 10	<i>204.5</i>	<i>neighbouring</i>		decision pending
	9	HU	Flooding 10	<i>719.3</i>	major		decision pending
	10	HR	Flooding 10	<i>153.04</i>	<i>neighbouring</i>		decision pending
	11	FR	Var flooding 10	<i>703-778</i>	<i>regional</i>		decision pending
	12	RO	Flooding 10	<i>875.75</i>	major		decision pending
Total aid for 2010 applications						80	

¹ Data in italics is subject to verification/confirmation by the Commission

¹ The EUSF grant has to be used within one year from the date of receipt of the grant in the beneficiary country. No later than six months after the expiry of the one-year period the beneficiary country has to present an implementation report with the statement of validity.

Source: DG Regio

Emergency Aid Reserve 2007-2010 - decisions

Year of transfer	Code	Line of destination		Amount (€)	
		Code	Name	CA	PA
2007	DEC 38	19 08 01 02	Financial assistance to Palestine, the peace process and UNRWA	49.200.000	
2008	DEC 13	23 02 02	Food aid		57.000.000
	DEC 18	23 02 01	Humanitarian aid	40.000.000	24.000.000
		23 02 02	Food aid	40.000.000	24.000.000
	DEC 33	23 02 02	Food aid	40.000.000	20.000.000
	DEC 34	19 08 01 03	Financial cooperation with Eastern Europe	39.544.000	
	DEC 45	21 02 03	Food Facility Instrument - operational line	262.000.000	
2009	DEC 06	21 02 03	Facility for rapid response to soaring food prices in developing countries	78.000.000	
	DEC 20	23 02 01	Humanitarian aid	45.000.000	
		23 02 02	Food aid	20.000.000	
	DEC 49	23 02 01	Humanitarian aid	15.000.000	5.000.000
		23 02 02	Food aid	30.000.000	10.000.000
2010	DEC 8	23 02 01	Humanitarian aid	112.000.000	56.000.000
	DEC 35	19 08 01 02	Financial assistance to Palestine, the peace process and UNRWA	40.000.000	
	DEC 40	23 02 01	Humanitarian aid	40.000.000	
	DEC 49	23 02 01	Humanitarian aid	40.000.000	
Total	-	-	-	890.744.000	196.000.000



Duration

Exchange of views on Duration
of the post-2013 Multiannual Financial Framework

**SURE Committee Meeting
6 December 2010
Brussels**



EUROPEAN PARLIAMENT

2009 - 2014

*Special committee on the policy challenges and budgetary resources for a sustainable
European Union after 2013*

1.12.2010

REFLECTION PAPER

on the duration of the MFF post-2013

Rapporteur: **Salvador GARRIGA POLLEDO**

Introduction

The establishment of the first MFF (1988) provided 'budgetary peace' between the three institutions involved in the budgetary procedure⁶³. With the adoption of the so-called Delors I package, which established the first financial perspective, a political choice had been made in favour of stability and predictability of EU expenditure. However, the improvement of stability has gone hand in hand with a decrease in the flexibility of the EU budget and with an increase of the complexity of rules governing it. There was a clear trade-off between resources stability and financial peace, on the one hand, and flexibility, on the other hand.

Except for the first MFF, the multiannual financial frameworks established so far were set for 7 years.

1988-1992: 5 years

1993-1999: 7 years

2000-2006: 7 years

2007-2013: 7 years

Article 312 of the TFEU foresees that the MFF should be set for 'at least five years'.

Although the Commission always agreed with the principle that the MFF period should be long enough to provide coherent coverage and that its duration should become more consistent with the institutions' mandates, the last three financial frameworks were concluded for a period of seven years, due to agreements partly pre-determining the evolution of expenditure. For example, the setting of a seven year duration for the MFF 2007-2013 was mainly linked to the European Council agreement on market related expenditure and direct payments in agriculture until 2013 and to the agreement relating to cohesion policies expenditure; other reasons related to the lifecycle of the multiannual programmes.

The EP's position on the duration of the MFF

For a long time, the EP has insisted that the financial framework should become more consistent with the institutional rhythms. It should, as much as possible, match the mandate of Parliament and Commission for reasons of democratic responsibility and accountability. The main argument of the EP was that the elected representatives of the citizens should be responsible for the main financial decisions taken during their mandate, in order to be accountable towards their electorate. Therefore, the MFFs should be set for five year periods, in order to correspond with the duration of the EP's and the Commission's mandates.

In its decision on the conclusion of an interinstitutional agreement on budgetary discipline and sound financial management (IIA) of 17 May 2006⁶⁴ the EP confirmed this approach and expressed its opinion that "*all future financial frameworks should be established for a period of five years compatible with the mandates of the Parliament and the Commission*"⁶⁵.

The duration of 5 years should be phased in starting from the year of the European elections according to the formula (n) +1 or +2. In this case, both Commission and

⁶³ In the period preceding the MFF (1975-1988) the adoption of the EU budget was delayed in 6 years out of 13 and the EU institutions complained to the Court of Justice on three occasions.

⁶⁴ P6-TA(2006)0210 of 17 May 2006

⁶⁵ Idem, point 9

Parliament would have their say in determining the financial priorities of their mandates (or a substantial part thereof), unlike in the current situation, in which Parliament and Commission are, in principle, bound by the MFF agreed by their predecessors⁶⁶.

2007-2013 MFF

Although the EP clearly expressed, in its Resolution on Policy Challenges and Budgetary Means of the enlarged Union⁶⁷, its will for a five year MFF and reiterated, for reasons of democratic responsibility and accountability, its position in favour of a parallelism between the duration of the MFF and the five-year mandate of the European Parliament and of the Commission, the seven year duration of the MFF was finally accepted, corresponding to the Commission's initial proposal, arguing that:

“... a shorter framework would be technically and politically impractical, (...) a longer financial perspective will contribute to the stability of the system and facilitate the programming of the cohesion policy and of the financial instruments of the common budget”.

In exchange for this concession, a declaration on a mid-term review was agreed⁶⁸.

Duration of the MFF post-2013: the right balance between stability and flexibility

As already expressed in the reflection paper on flexibility⁶⁹, the length of the MFF and its capacity to adapt to new situations are interlinked. The longer the duration of the MFF, the more critical the need to foresee possibilities to adapt to new situations; and the shorter the period, the higher the flexibility.

In the context of limited resources and an economic and financial situation where 'austerity' is the keyword, the duration of the MFF should be considered as an additional element providing more flexibility. It should ensure the right balance between stability and medium-term predictability, and flexibility, in order to better respond to developments and new needs.

Although the five year cycle would directly create a full parallelism between the duration of the MFF and EP and Commission terms, a period of one-and-a-half to two years would be necessary for the institutions to set up their political agenda when taking over their mandate. Thus, the actual duration of the MFF would run from mid-point to mid-point of the political cycles.

On the other hand, despite the fact that the five year period would bring some advantages in terms of an ability to reflect new needs, it would present some disadvantages in terms of planning: longer periods not only allow programmes to make deeper changes, they may also fit in better with investment patterns of the private sector.

⁶⁶ A6-0144/2006 of 26 April 2006, “The duration of the Financial Framework” Point 5 of the explanatory statement

⁶⁷ A6-153/2005 of 8 June 2005

⁶⁸ Declaration 3: "In accordance with the conclusions of the European Council, the Commission has been invited to undertake a full, wide-ranging review covering all aspects of EU spending, including, the Common Agricultural Policy, and of resources, including the United Kingdom rebate, and to report in 2008/2009. The review should be accompanied by an assessment of the functioning of the IIA"

⁶⁹ Reflection paper on flexibility in the post-2013 MFF of 17 November 2010

A longer than 5 year MFF would need to be accompanied by a strong mid-term review, covering all aspects of expenditure and revenue. In such a case, the new MFF Regulation should, therefore, explicitly foresee a mid-term review clause, as well as a clearly defined specific procedure for this review and a resulting revision, fully involving the EP in its role of legislative and budgetary authority.

First reflection on the duration of the next-MFF

The following four options are proposed for consideration:

Option 1:

a 5-year MFF cycle, starting in 2014, immediately after the current MFF expires

Option 2:

a 5-year MFF cycle, starting in 2021, being phased in after one 7-year “transition” MFF 2014-2020, to allow for a staggered synchronisation with the EP / COM legislature

Option 3:

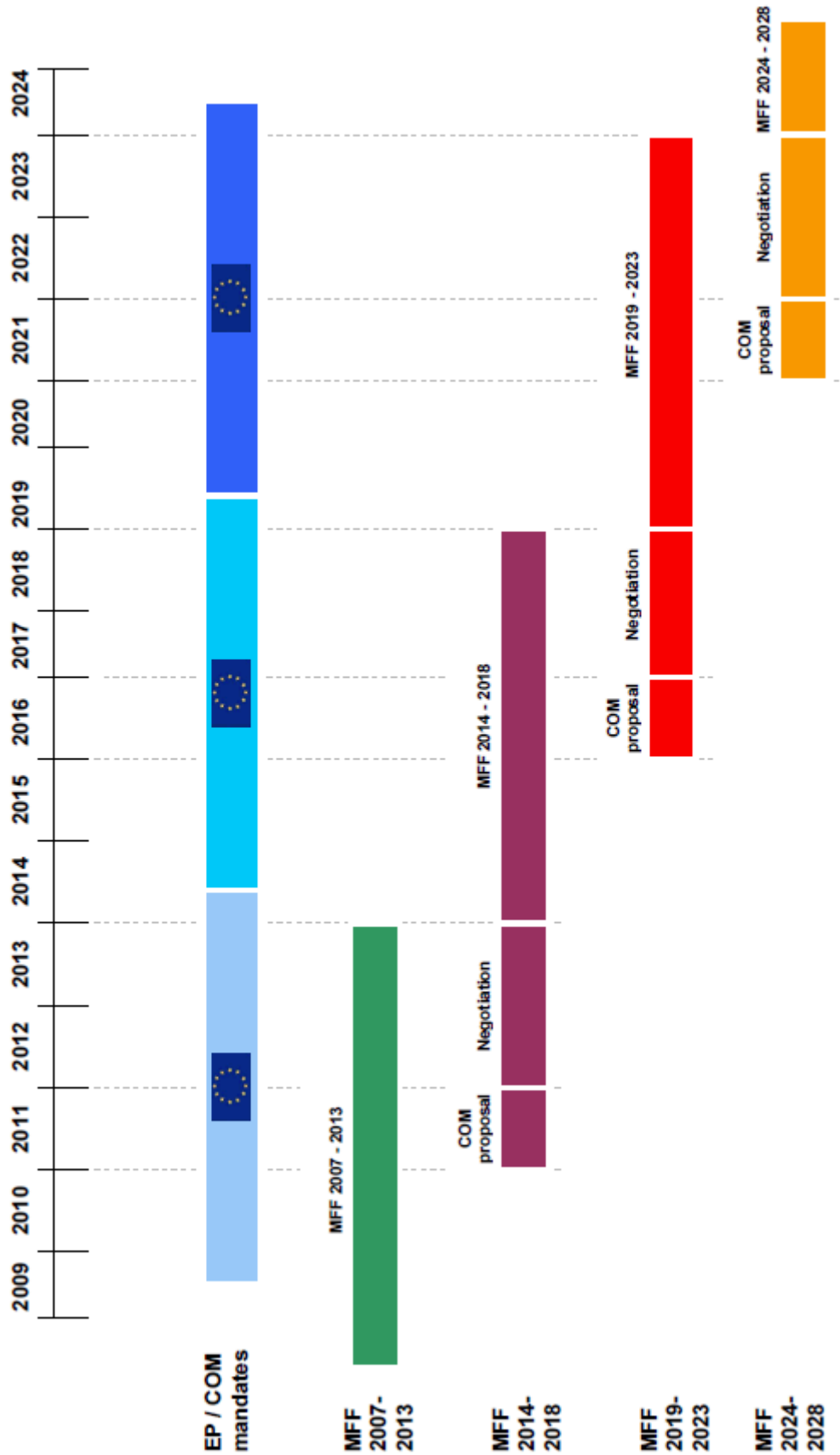
a 5-year MFF cycle, starting in 2016, after a prolongation of the current MFF, to allow for a staggered synchronisation with the EP / COM legislature

Option 4:

a 10-year MFF cycle with a strong mid-term review, Commission's 5+5 proposal

Option 1:

5 year MFF, starting in 2014 - no phasing in



Option 1: 5-year MFF cycle, starting in 2014 - no phasing in

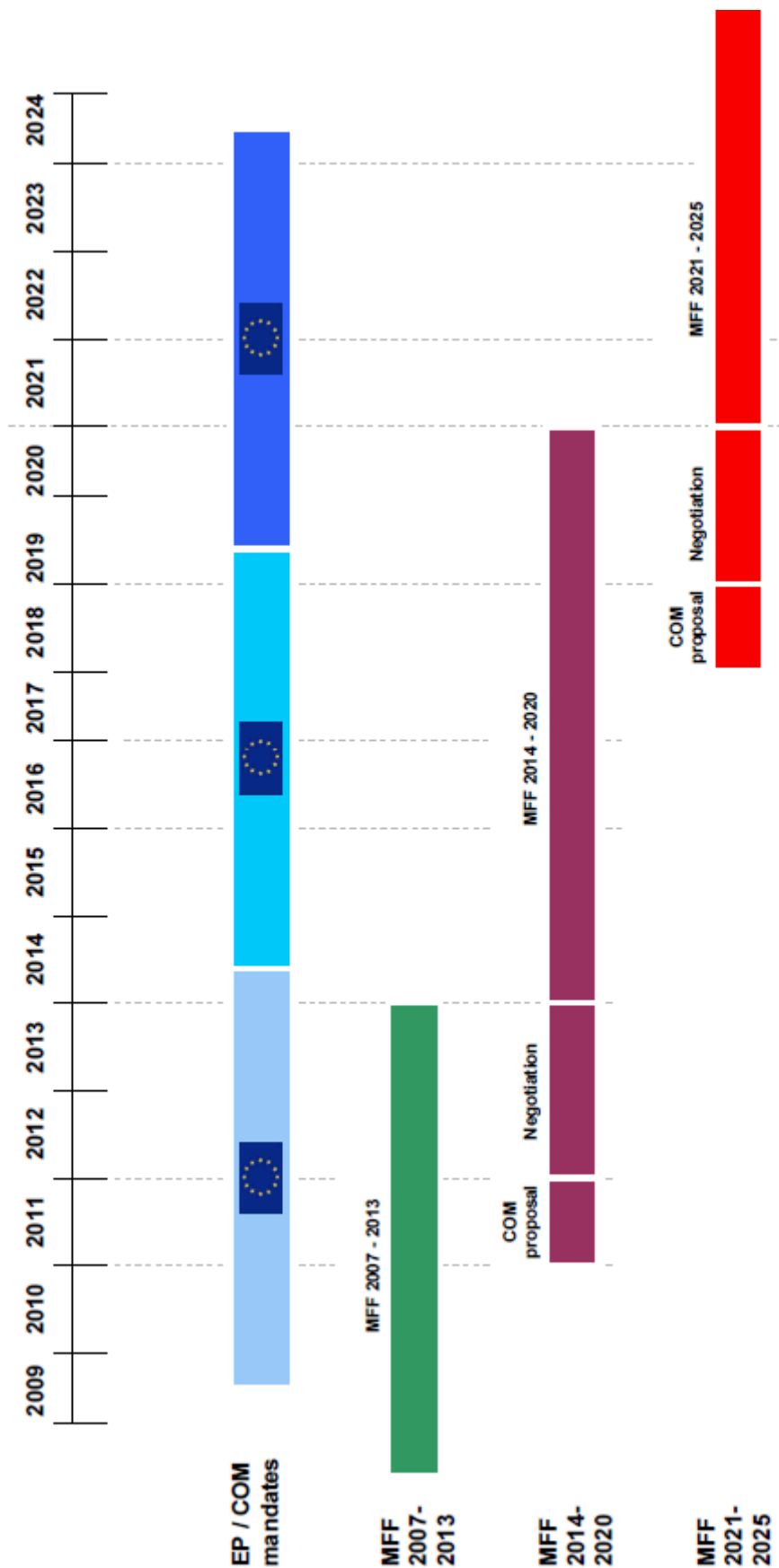
This option of a direct transition to a shorter MFF in 2014 would most quickly fulfil Parliament's request for a five year duration and would create a full parallelism between the duration of the MFF and the mandates of the EP and the Commission.

However, this direct transition to five years would mean that Parliament would continue to implement an MFF decided in the previous legislature and would, respectively, negotiate and decide on the MFF of the following Parliament. This is also valid for the Commission.

In this respect, this option would not increase either the EP's and Commission's democratic accountability or the efficiency of the multiannual programmes and, thus, could be considered technically and politically impractical.

Option 2:

5 year MFF, starting in 2021 - phased in after one more 7 year MFF



Option 2: 5-year MFF cycle, starting in 2021 - phased in after one more 7 year MFF

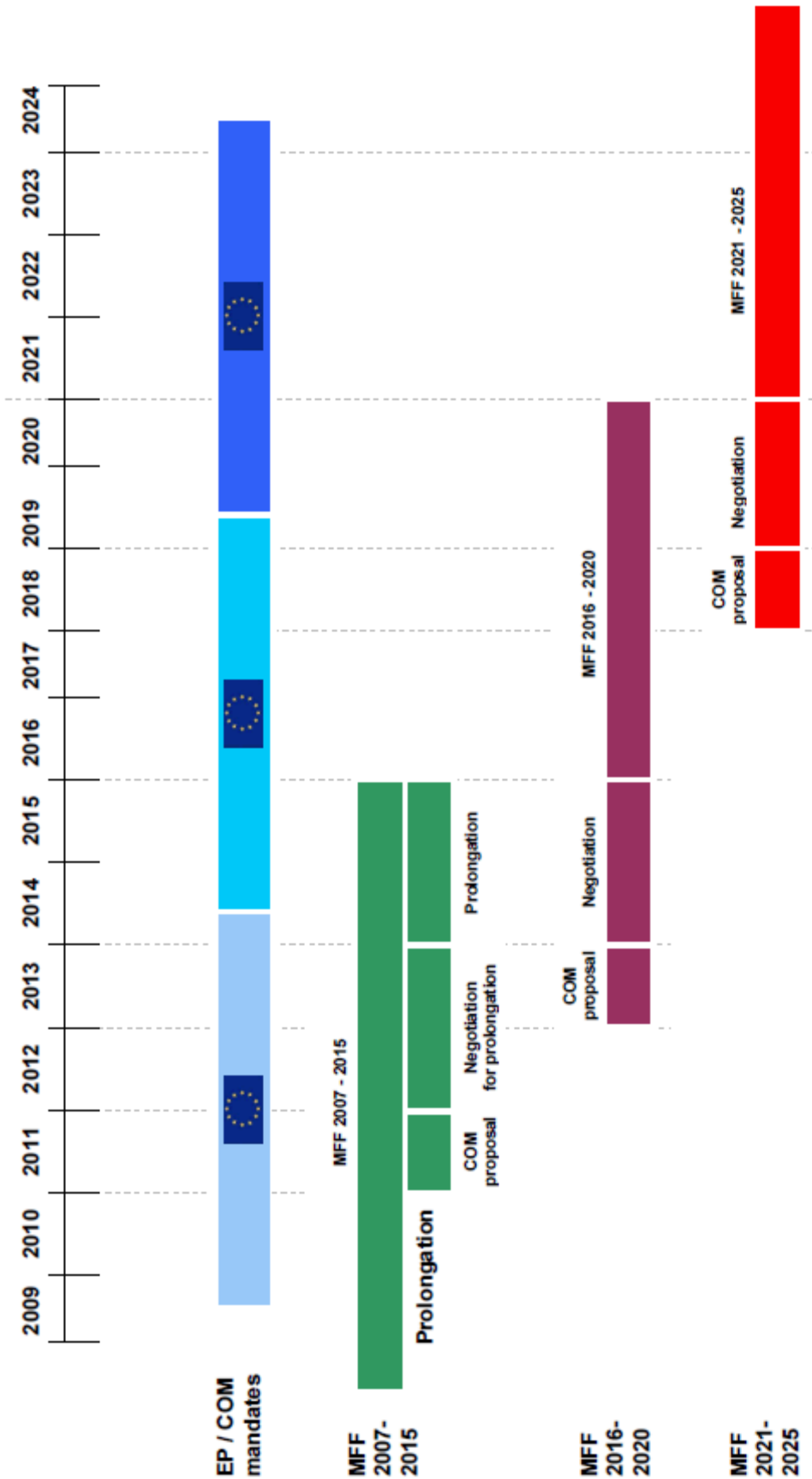
In this option, the problem of the full parallelism between the MFF and the EP legislature described in Option 1 would be solved by phasing in the 5-year duration in 2021 only, after one more MFF adopted for a 7-year period, i.e. from 2014 – 2020.

While this would be a valid option in the medium-term, its most important short-term consequence would be that the next EP elected in 2014 would not have the possibility to negotiate either for the MFF corresponding to its own mandate nor for the following one. Besides, the new MFF would start in 2014 and end in 2020, which would leave to the EP newly elected in 2019 only one-and-a-half year to negotiate the following 5-year MFF (2021 to 2025) and allow for the transition to 5-year periods.

Although the advantage of this option would be that it would allow for a smooth transition to a five year period, aligning the EP's and Commission's mandates to the MFF duration, it would penalise one mandate (the EP elected and the Commission established in 2014). Moreover, the following Parliament, elected in 2019, would immediately have to negotiate a new MFF post 2020, most probably, on the proposal made by the old (2014-2019) Commission.

Option 3:

5 year MFF, starting in 2016 - after prolongation of current MFF



Option 3: 5 year MFF, starting in 2016 - after prolongation of current MFF

As seen above, a transitional phasing-in period might be necessary in order to sensibly align the next MFF to the EP and Commission mandates. For this purpose, the current MFF could be prolonged by two years, until 2016, or even by three years, till 2017⁷⁰. In both cases, there are two parallel processes to be considered: first, the prolongation of the current MFF (2007-2013) and, second, the establishment of the new MFF.

The prolongation of the current MFF should be proposed by the Commission currently in office in 2011 and negotiated between 2012 and 2013 by the current EP. This means that in this option, the current EP will negotiate on the prolongation only and would not have any role with regard to the negotiations for the following MFF. It would be up to the EP newly elected in 2014 to negotiate its 'own' MFF; although for the MFF starting in 2016 (2 years prolongation) the EP would have only one-and-a-half years for negotiations.

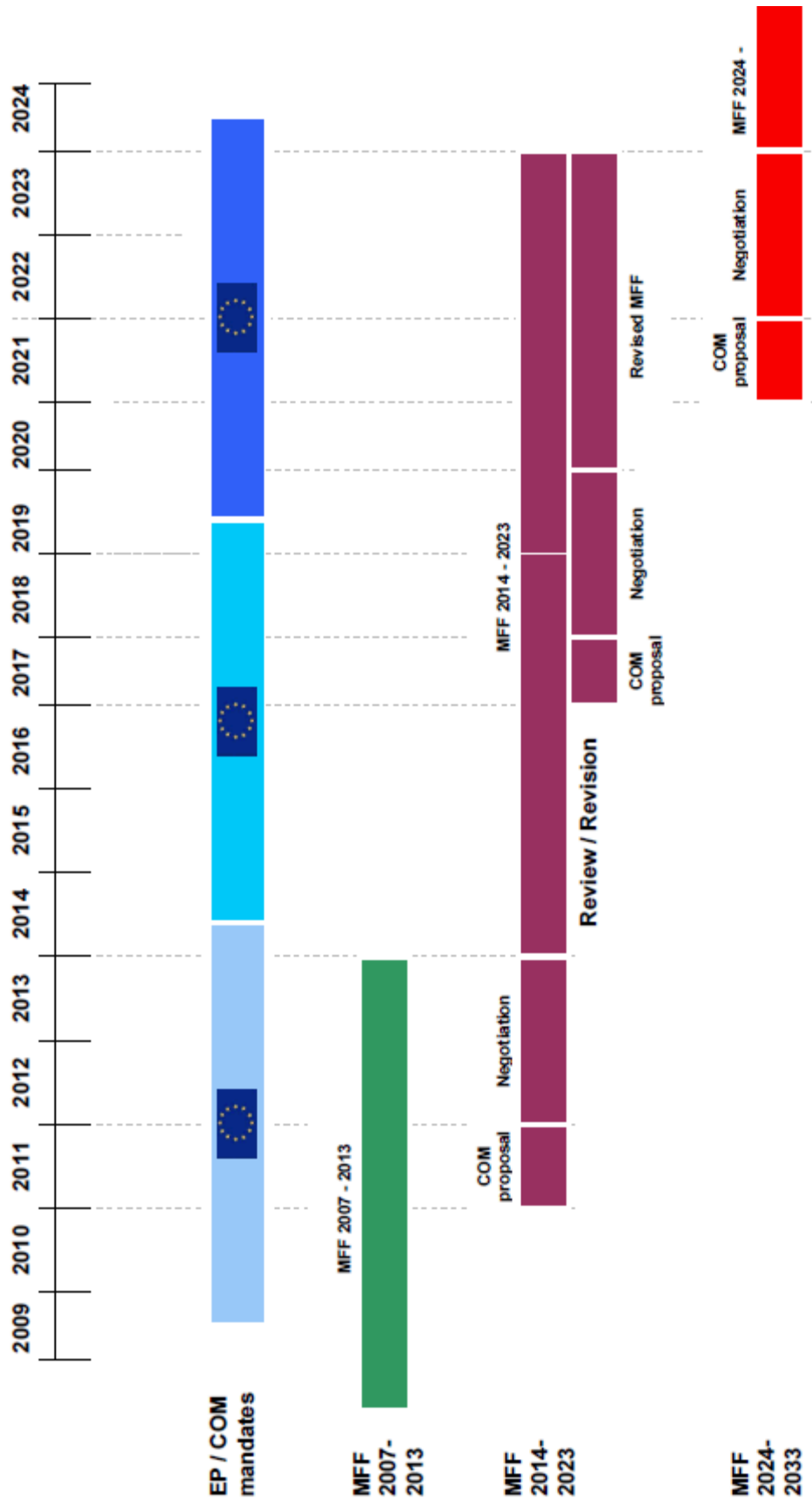
In this option, a timing problem would occur for the Commission. In the 2016 as well as the 2017 version, the proposal for the new MFF would be presented by the 'old' Commission. This would have consequences on the accountability of the Commission established in 2015. Moreover, this situation would persist for the following cycles.

Therefore, this option seems to be possible only as an emergency option, in case the planned negotiation for the post-2013 MFF should fail.

⁷⁰ In its resolution of 25 March 2009 on the mid-term review of the 2007-2013 financial framework, the EP proposed already to prolong the 2007-2013 MFF till 2016/2017 “in order to allow for a smooth transition to a system of an MFF of five years' duration which gives to each Parliament and each Commission, during each of their respective terms in office, the political responsibility for each MFF”

Option 4:

10 year MFF, with strong mid-term review ("5+5")



Option 4: 10-year MFF, with strong mid-term review ("5+5")

In its Budget Review document⁷¹, the Commission proposes a 10-year period with a substantial mid-term review ("5+5 option")⁷². According to the Commission, this option would provide stability and predictability for the financial programming period but also the opportunity for a major re-prioritisation: *“overall ceilings and the core legal instruments would be fixed for ten years. But the distribution of resources within headings, and the prioritisation within programmes and instruments, would be left open for re-assessment”*.

Although the mid-term review, proposed by the Commission, could provide some internal flexibility through re-prioritisation and an ensuing revision, the establishment of overall ceilings for such a long period, which are not negotiable, could increase the rigidity of the MFF. An eventual adjustment to new needs and challenges could be extremely difficult from a procedural and institutional point of view.

The Commission also mentions that one approach could be to facilitate this through the retention of substantial reserves and margins in all parts of the budget. However, it could be questionable how the appropriate level of reserves and margins could be estimated so much in advance.

Financial programming, as well as the life cycles of the multiannual programmes, should be long enough to provide a coherent coverage within reasonable budget limits, notably in cohesion and agriculture policies. Nevertheless, there should also be a possibility to reflect and adapt to new needs. This option could be only envisaged if an agreement on a maximum level of flexibility, linked to a longer period, would be reached. In addition, the MFF regulation should foresee a special procedure for a strong and wide ranging mid-term review, fully involving the EP.

⁷¹ COM(2010) 700 of 19 October 2010

⁷² Of course, the phasing in problematic discussed in the options before would also be applicable to this option

Possible questions for discussion

Against the background presented in this reflection paper and the options developed above, the following questions could be further developed during the debate:

- Ensuring the right balance between stability and flexibility: which of the proposed options could better respond to stability and flexibility needs?
- Are there other options which the Committee would like to consider (i.e. a seven year MFF)?
- Is it at all possible to combine the need for flexibility and the need for longer programming cycles, notably in agriculture and cohesion policy areas?
- How should the multiannual programmes' duration be synchronised to the MFF duration?
- Should the 5 year MFF apply from 2014 or would a transitional period be needed?
- Which phasing-in option would be more appropriate, a new 7 year MFF (option 2) or a prolongation of the current MFF (option 3)?
- In the current situation of scarce resources and economic crisis, which would be strategically more favourable: to start the negotiations in 2011 (option 2) or to negotiate for a prolongation of the current MFF (option3)?
- Judging from the previous experience, in case a review/revision was foreseen within the framework of a decision for a 7 or 5+5 year cycle, how could it be guaranteed that such a strong review/revision would indeed take place?



Reform of the European Union's financing system

Exchange of views with Janusz Lewandowski,
Commissioner for Financial Programming and Budget,
on the system of Own Resources

Exchange of views with Janusz Lewandowski,
Commissioner for Financial Programming and Budget,
and
Philippe Maystadt,
President of the European Investment Bank
on Leveraging investment: Innovative financial
instruments

**SURE Committee Meeting
28 February 2011
Brussels**

Questions by the rapporteur

**In the presence of
Janusz Lewandowski, Commissioner for Financial Programming and Budget**

Reforming the own resources system

In its resolution of 29 March 2007, the European Parliament has underlined the shortcomings of the current system of own resources, based on Member States' contributions (the GNI-based contribution now represents three-quarters of the budget), and namely: its excessive complexity, lack of transparency as well as the insufficient link to existing EU policies, especially with regard to exceptions and correction mechanisms. The EP calls for an improved system of national contributions.

Several national Parliaments have expressed the wish to explore the possibility for a reform within the existing own resources system, aiming at improving and making the GNI based resource more prominent. Would there be room for manoeuvre for such a reform?

How best to ensure the simplification of the current system of own-resources, in particular with regard to the current mix of own-resources (including the complex VAT based resource) as well as to the existing exceptions and correction mechanisms?

In its resolution, the Parliament stated that the core issue of the reform of Union revenue must be the creation of one or several genuine own resources for the European Union. In its Budget Review, the Commission proposes a number of possible candidates for new own resources.

What would be the principles for the reform of the own-resources system and which proposed own resources would best fulfil the criteria?

How to ensure a smooth evolution towards a new genuine own resource that would allow focusing on EU priorities with real added value, rather than net-balances between Member States?

In the presence of Janusz Lewandowski, Commissioner for Financial Programming and Budget, and Philippe Maystadt, President of the European Investment Bank

Leveraging investment: Innovative financial instruments

Financial instruments, as defined by the Commission, are EU measures of financial support provided from the budget of the Union in order to address a specific policy objective by way of loans, equity or quasi-equity investments or participations, guarantees or other risk-bearing instruments, possibly combined with grants. Co-financing via these instruments has been used in the EU budget since more than ten years, with a view to mobilizing additional sources of financing and multiplying the effect of EU spending. In the 2007-2013 MFF, a new generation of financial instruments has been put in place in cooperation with the EIB.

What are the different categories of financial instruments currently being used and in what fields?

What has been the experience with these instruments in terms of leveraging investment and what are the lessons learnt?

The EU 2020 policy priorities cover a range of areas where significant amount of investment will be needed, while public finances are under heavy constraints resulting from the economic crisis. In its Budget Review, the Commission proposes to develop financial instruments on a greater scale, in cooperation with the EIB and other financial institutions, in order to enhance the EU budget's leveraging effect.

What is the estimated financial volume of future investment needs?

To what extent and in what way can financial instruments be used to fill these requirements?

What are the policy areas where co-investment could play a central role?

A potentially increased role of financial instruments in the future MFF will require a strengthening of their regulatory and operational framework.

What should be the principles for a wider use of financial instruments?

How to ensure that EU resources are being used effectively for the purpose of leveraging investment?

How to ensure adequate monitoring and accountability mechanisms?

The financial crisis has made private investors more reluctant to co-finance EU projects. As stated by the Commission, the principal idea behind the Europe 2020 Project Bond Initiative is to provide EU support to project companies issuing bonds to finance large-scale infrastructure projects.

What are the main characteristics of the Europe 2020 project bond initiative?

What is the respective role of the EU and the EIB? What would be the consequences for the EU budget in terms of liability?

What would be the criteria for eligibility of projects?

FACTUAL BACKGROUND NOTE

on

REFORM OF THE EU FINANCING SYSTEM

for the meeting of the

**Special committee on the policy challenges and
budgetary resources for a sustainable European Union
after 2013**

23 February 2011

EN

1. THE CURRENT EU FINANCING SYSTEM

1.1 Revenue

While the European Coal and Steel Community (ECSC) was granted its own resources from the start, the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM) were initially financed by contributions from the Member States. The Own Resources Decision of 21 April 1970 provided the Community with its own resources. Own Resources, which are currently limited to 1.23% of EU GNI, come from the following sources:

The 'Traditional' own resources created by the Decision of 1970, which accounted for 12% of the budget in 2009:

- agricultural duties and sugar and isoglucose levies;
- customs duties.

The VAT based own resource

Although provided for in the 1970 Decision, this resource was not applied until the VAT systems of the Member States were harmonised in 1979. It consists in the transfer to the Community of a percentage of the estimated VAT collected by the Member States. The VAT resource accounted for 11% of the budget in 2009.

The GNI based own resource

This 'fourth own resource' was created by the Decision of 1988 and consists of the levy on the Member States' GNP of a percentage set by each year's budget. In 2009 it consisted of a rate of around 0,7% on the Member States' Gross National Income (GNI), pursuant to article 2(1)(d) of Council Decision 2000/597 of 29 September 2000. Originally it was only to be collected if the other own resources did not fully cover expenditure, but it now finances the bulk of the EU budget: In 2009, the GNI based resource represented 70% of the general budget of the EU.

Other revenue

Other revenue includes taxes paid by EU staff on their salaries, contributions from non-EU countries to certain EU programmes and fines from companies that breach competition or other laws. These miscellaneous resources amounted to roughly 6 % of the budget in 2009.

The correction mechanism

Correcting the budgetary imbalances between Member States' contributions is also part of the own resources system. The 'UK rebate' agreed in 1984 consisted in a reduction in the United Kingdom's contribution equivalent to two-thirds of the difference between its share in the VAT base and its share in allocated budget expenditure. This correction was financed by all the other Member States according to their shares in the VAT base, except for Germany who paid a reduced share. In 1999 it was agreed that the Netherlands, Austria and Sweden would also benefit from a 25% reduction in their contributions to the financing of the UK rebate. The current Own Resources Decision introduced further corrections: non-

agricultural expenditure in Member States that have acceded since 2004 will be gradually excluded from the calculation of the UK rebate; Germany, the Netherlands, Austria and Sweden will benefit from a reduced rate of call of VAT during 2007-2013 only; and the Netherlands and Sweden will benefit from a reduction in their GNI contributions during 2007-2013 only. Annex 3 gives an overview of exceptions on the income and expenditure side by the European Council in December 2005.

1.2 Borrowing and lending operations

The Euratom Treaty expressly empowers the Community to contract loans. Although the EC Treaty did not, Article 308 was applied for this purpose. Article 352 provides the necessary powers under the Treaty on the Functioning of the European Union.

Loans have greatly increased in volume since 1978 and are set to increase further. The Interinstitutional Agreement on Budgetary Discipline and Sound Financial Management of May 2006 provides for extended recourse to such "new financial instruments"⁷³. The Commission and the European Investment Bank (EIB) have been invited, in their respective spheres of competence, to make proposals:

- in accordance with the conclusions of the European Council of December 2005, to increase the EIB's capacity for research and development loans and guarantees up to EUR 10 billion in the period 2007-2013, with an EIB contribution of up to EUR 1 billion from reserves for risk-sharing financing;
- to reinforce the instruments in favour of Trans-European Networks (TENs) and Small and Medium-sized Enterprises up to an approximate amount of loans and guarantees of EUR 20 billion and EUR 30 billion, respectively, with an EIB contribution of up to EUR 0,5 billion from reserves (TENs) and up to EUR 1 billion (Competitiveness and Innovation) respectively.⁷⁴

As part of a €500 million package of measures agreed by the Council on 9 May 2010 for Member States in difficulties or threatened with severe difficulties, the European Financial Stabilisation Mechanism was established to provide financial assistance in the form of a loan or a credit line guaranteed by the EU budget up to a total of €60 billion.⁷⁵

2. REFORM OF THE EU FINANCING SYSTEM

The **European Council** summit of December 2005 called for a review of "all aspects of EU spending, including the Common Agriculture Policy, and of resources, including the UK rebate". Declaration 3 to the 2006 Interinstitutional Agreement on Budget Discipline specifies that the European Parliament will be associated with the review at all stages of the procedure (see annex 4).

⁷³ OJ C 139, 14 June 2006, point 49

⁷⁴ OJ C 139, 14 June 2006, declaration 8

⁷⁵ Council meeting, Economic and Financial Affairs, 9/10 May 2010, 9596/10 (Presse 108)

2.1 Recent Discussions

The future finances of the Union were examined by Members of national parliaments and Members of the European Parliament at the first and second **joint parliamentary meetings on the Future of Europe** organised by the European Parliament and the Presidency in Office of the Council at the European Parliament in May and December 2006. There was a general consensus concerning the need for reform of the present system of financing the Union to help deliver a European budget that is more easily understood and accepted by European citizens. While views differed on how to reform the Union's resources, it was agreed that the debate should continue.

The Portuguese presidency organised a further discussion of the reform of own resources between European and National Parliaments in November 2007.

The reform of own resources was also discussed at meetings of the EP's budgets committee with chairs of budgetary committees of national parliaments in June 2006 and June 2007.

In this context the EP adopted on 29 March 2007, with 458 votes in favour 117 against and 61 abstention, a **resolution on the future of the European Union's own resources** (Rapporteur: Alain LAMASSOURE, A6-66/2007), in which the following political principles were highlighted:

- equality between Member States,
- simplicity of presentation for elected representatives and citizens alike,
- solidarity and equal dignity amongst Member States, and
- establishment of a political link between a reform of revenue and a review of expenditure as it is already correctly included in the Interinstitutional Agreement⁷⁶.

The EP was of the opinion that a new system should be progressively phased in

- fully respecting the principle of fiscal sovereignty of Member states,
- respecting fiscal neutrality for public expenditure,
- without changing the order of magnitude of the EU budget, and
- establishing a clear political link between a reform of revenue and a reform of expenditure.⁷⁷

⁷⁶ P6_TA(2007)0098, points 10ff

⁷⁷ P6_TA(2007)0098, points 28ff

In its resolution of 20 October 2010⁷⁸ on Parliament's position on the 2011 draft budget, as modified by the Council, the European Parliament inter alia stated the following:

"7. Reminds both the Council and the Commission, moreover, of its resolution of 29 March 2007 on the future of the European Union's own resources in which Parliament underlined that the current system of EU own resources - where 70 % of the Union's revenue comes directly from national budgets - results in the contribution to the European Union being perceived as an additional burden on national budgets; is deeply convinced that all EU institutions should agree on a clear and binding timetable in order to agree on a new system of own resources before the entry into force of the next post-2013 MFF; expresses its willingness to explore all possible avenues in that respect"

In its resolution of 25 November 2010⁷⁹ on the ongoing negotiations on the 2011 budget the European Parliament inter alia asked for

"(...) a commitment by the Commission to present by 1 July 2011 substantive proposals, based on Article 311 of the TFEU, on new own resources for the EU(...)";

In its resolution of 15 December 2010⁸⁰ on Parliament's position on the new 2011 Draft Budget the Parliament

"2. Considers the way the EU system of own resources has evolved, gradually being replaced by national contributions and consequently being perceived as an excessive burden on national public finances, renders its reform more necessary than ever; takes note of the Commission's Declaration; reiterates nevertheless the importance of the Commission presenting by 1 July 2011 substantive proposals for new own resources for the EU, based on Article 311 TFEU, and calls for a commitment by the Council to discuss these proposals with Parliament within the negotiating process for the next multiannual financial framework (MFF), in line with Declaration No. 3 of the Interinstitutional Agreement of 17 May 2006".

The Commission published an **EU budget review**⁸¹ in October 2010. On the revenue side the Commission proposed reducing Member States' contributions by abolishing the VAT-based own resource and progressively introducing as a replacement one or several of the following new own resources:

- a share of a financial transaction or financial activities tax,
- auctioning of green house gas emission allowances
- an EU charge related to air transport
- a separate EU VAT rate
- a share of an EU energy tax
- a share of an EU corporate income tax.

⁷⁸ P7_TA-PROV(2010) 372

⁷⁹ P7_TA-PROV(2010) 433

⁸⁰ P7_TA-PROV(2010) 475

⁸¹ COM(2010) 700 of 19.10.2010

3. FINANCIAL INSTRUMENTS

3.1 Existing financial instruments

For more than ten years, the EU budget has been using financial instruments such as guarantees and equity investment for SMEs (currently the SME Guarantee Facility and the High Growth and Innovative SME Facility under the Competitiveness and Innovation Framework Programme, both are implemented by the European Investment Fund). In the 2007-2013 financial framework, a new generation of financial instruments have been put in place in cooperation with the EIB, such as the Risk-Sharing Finance Facility (RSFF) under the 7th R&D Framework Programme, or the Loan Guarantee Instrument for TEN-T projects (LGTT). In the area of structural funds, financial instruments have been set up to support enterprises, mainly SMEs, urban development and energy efficiency through revolving funds.

Other smaller instruments have been implemented to invest in infrastructure equity funds (e.g. Marguerite Fund) or to provide micro-credit (e.g. European Microfinance Facility for Employment and Social Inclusion), via fund structures allowing for the pooling of resources with other public or private bodies, including International Financial Institutions (IFIs) or Member States' bilateral financing institutions. Also the structural funds allow financial engineering to support SMEs or to invest in energy efficiency projects in urban areas.

Across the EU, from 2006 to 2009 the government sector financed directly around one third of all infrastructure investment; the private sector is therefore the predominant source of funding⁸². There are, however, important sectoral differences, for example, the utilities (energy, water, sewage and waste) are overwhelmingly privately financed; education investment is principally publicly funded.

The greater part of the private sector's infrastructure investment is made directly by utility and transport companies, so called corporate finance. However, since the 1990s national policies of many Member States have sought to increase private sector participation in the financing and implementation of infrastructure projects by other complementary means, notably through project finance. Overall, around 10% of private sector infrastructure investment uses project finance, including public private partnerships (PPP)⁸³.

⁸² R. Wagenvoort, C. de Nicola and A. Kappeler "Infrastructure finance in Europe: Composition, evolution and crisis impact", in "Public and private financing of infrastructure", EIB Papers, Volume 15 N° 1 2010, p. 23, p. 25 and p.33.

⁸³ PPP structures are particular prevalent in transport, as well as increasingly in waste, health, education and other social sectors. Non PPP project financing is well established in the energy and other utility sectors.

3.2 Recent Proposals

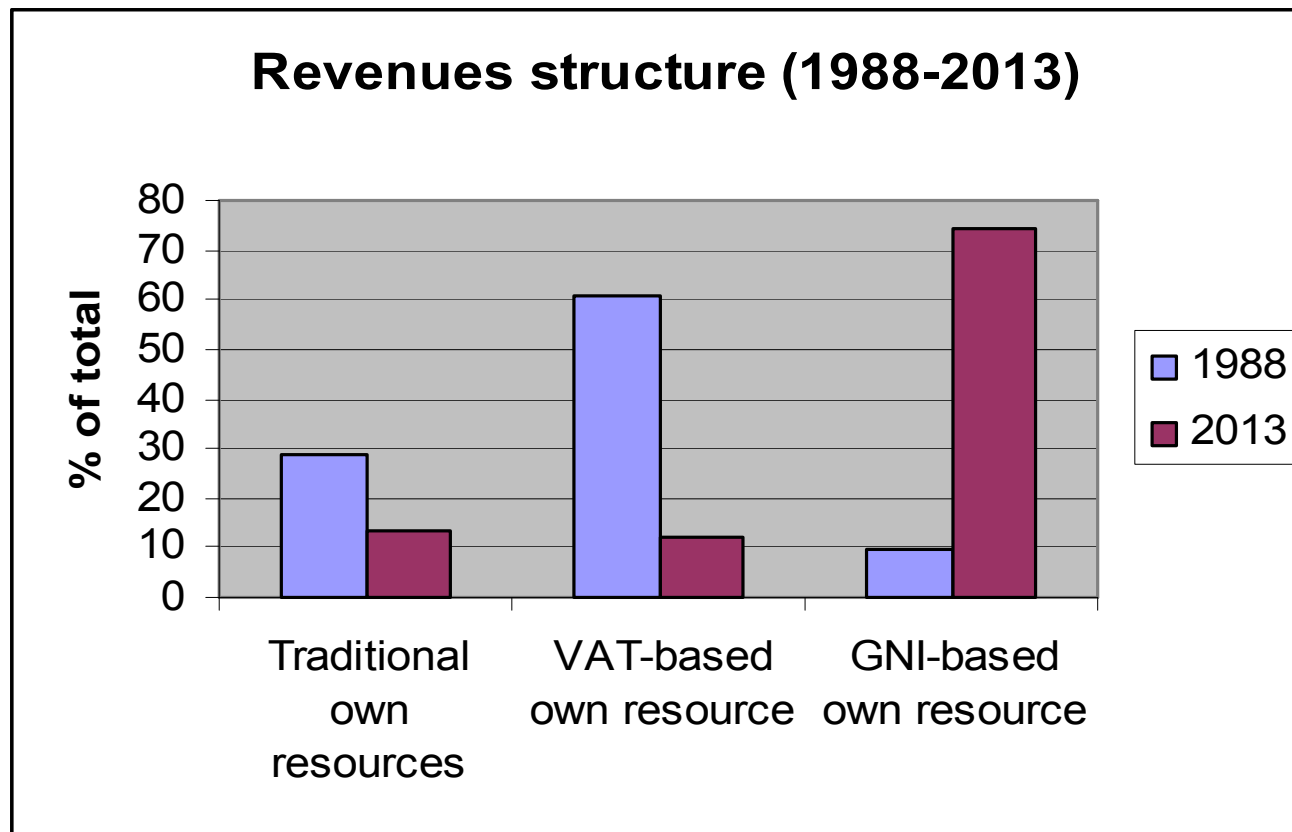
Against the backdrop of future European infrastructure investment needs for Europe's transport, energy and information and communication networks, which are estimated at EUR 1.5 to EUR 2 trillion, two other proposals surfaced in recent discussions as a means to generate additional finances for such investments: Euro-bonds and Euro-project-bonds.

Euro-bonds: As way to achieve the internal market, the former Commission President Jacques Delors proposed in 1993 that the EU use the backing of its own budget to borrow money for large infrastructure projects by issuing bonds on capital markets. Another, entirely different use of the term Euro-bond is applied to the idea that euro-zone countries could pool some of their national debts to improve borrowing conditions.

Euro-project-bonds: The principal idea behind the Euro-project-bond initiative is to provide EU support to project companies issuing bonds to finance large-scale infrastructure projects. The Commission's key role would be risk-sharing with the EIB (or other financing partners), enabling them to provide guarantees or loans to support such bonds. No bond issuance will be required by Member States' governments, the EU or the EIB for this purpose.

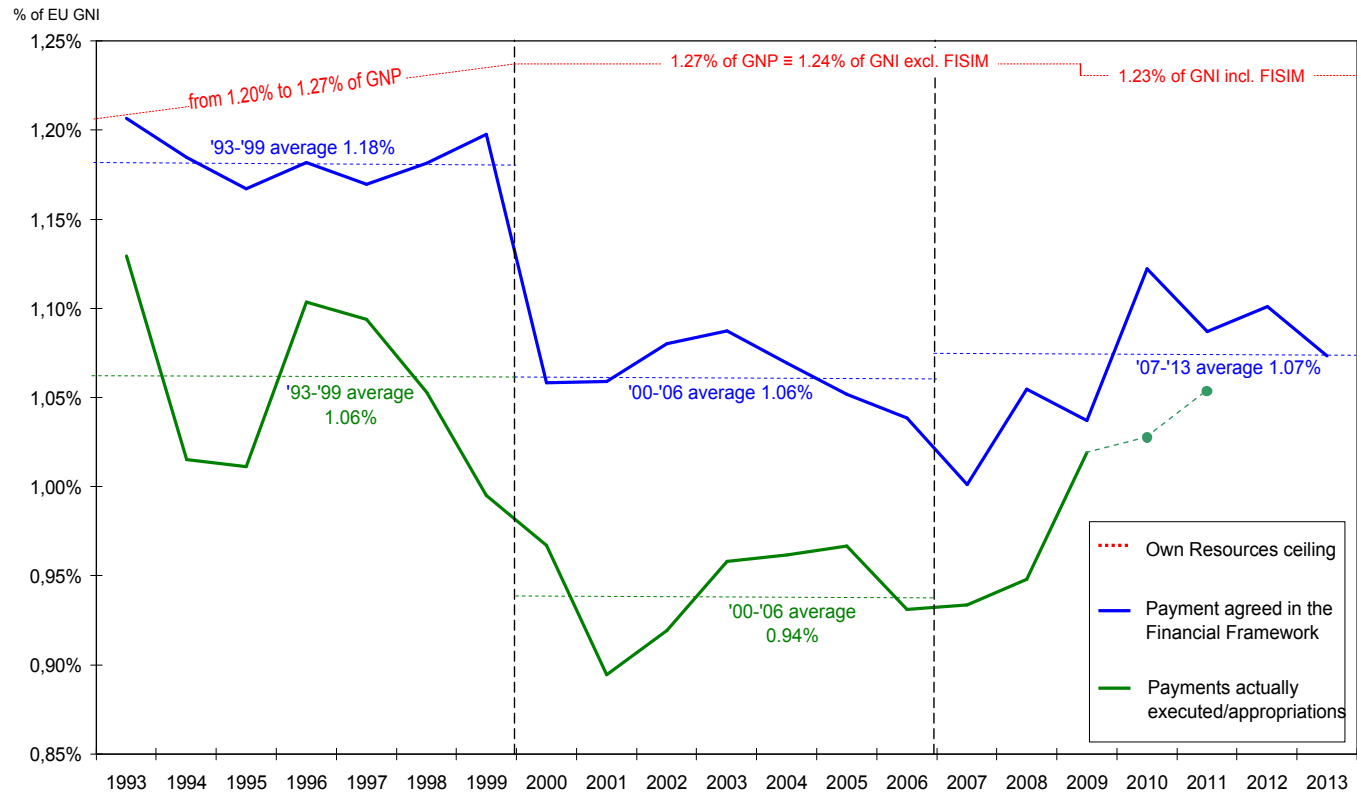
In the context of guarantees, for the European Financial Stabilisation Mechanism or financial instruments, the question could be raised how EU budget guarantees can be tallied with budgetary principles like unity, universality, transparency, and how the sound financial management can be controlled by the discharge authority.

ANNEX 1: REVENUE



Source: EU Budget Review, COM (2010) 700, 19.10.2010.

ANNEX 2: EVOLUTION OF OR AND MFF CEILINGS



Source: EU Budget

(2010) 700, 19.10.2010.

Review, COM

ANNEX 3:

EXCEPTIONS INTRODUCED BY THE EUROPEAN COUNCIL IN DECEMBER 2005 ON THE EXPENDITURE AND INCOME SIDE OF THE BUDGET, NAMELY:

Earmarked for Projects:

- ☐ EUR 865 Mio. for the nuclear power plant Ignalina (LIT) and 375 Mio. for the nuclear power plant Bohunice (SLK)
- ☐ 200 Mio. for the peace process in Northern Ireland (UK)

Earmarked for Regions

- ☐ 879 Mio. for five Polish Objective 2 regions (EUR 107 per citizen)
- ☐ 140 Mio. for a Hungarian region (Közép-Magyarország)
- ☐ 200 Mio. for Prague
- ☐ "phasing-out" support for a Finnish Region and Madeira, which were originally "phasing-in" regions
- ☐ 100 Mio. for the Canary Islands
- ☐ 150 Mio. for Austrian border regions
- ☐ 75 Mio. for Bavaria
- ☐ 50 Mio. for Ceuta and Melilla (ES)
- ☐ 225 Mio. for eastern German Länder
- ☐ 136 Mio. for the most remote regions (EUR 35 per citizen)
- ☐ 150 Mio. for the Swedish regions in Objective "Competitiveness and Employment"

Special Funds for Member States

- ☐ absorption rate for Poland raised by 4%
- ☐ "phasing-in" support for Cyprus, despite never being Objective 1 region
- ☐ 2 000 Mio. for Spain, to be distributed freely among Structural Fund Objectives
- ☐ 1 400 Mio. for Italy (predefined distribution)
- ☐ 100 Mio. for France (Objective: "Regional Competitiveness and Employment")
- ☐ 47 Mio. for Estonia (EUR 35 per citizen)
- ☐ 81 Mio. for Lithuania (EUR 35 per citizen)
- ☐ additional payments from rural development:
 - o 1 350 Mio. for Austria
 - o 20 Mio. for Luxembourg
 - o 460 Mio. for Finland
 - o 100 Mio. for France
 - o 500 Mio. for Ireland
 - o 820 Mio. for Sweden
 - o 500 Mio. for Italy
 - o 320 Mio. for Portugal

Special Conditions

- ☐ 50% increased support for the former exterior borders to ROM and BLG, compared to regular support for border regions
- ☐ private co-financing can be counted in for Structural Fund supported projects in new Member States (per capita GDP <85% of EU average) and eastern German Länder
- ☐ in the new Member States (<85%), VAT can be considered eligible cost for Structural Fund projects

Special Conditions in Legal Bases

- ☐ departing from "n+2" rule for new Member States (<85%) in 2007-2010
- ☐ building projects are eligible for support in the new Member States (EU10 + ROM, BLG)
- ☐ 20% of funds from the first pillar (Agriculture) can be used by each country for rural development, disregarding general rules such as co-financing
- ☐ special funds for rural development in Portugal (320 Mio.), without co-financing

Special Conditions for Financing the Budget

- ☐ rate-of-call for VAT own resources contribution is reduced by 25% for Austria
- ☐ rate-of-call for VAT own resources contribution is reduced by 50% for Germany
- ☐ rate-of-call for VAT own resources contribution is reduced by 66% for Sweden and the Netherlands
- ☐ the Netherlands get 4 230 Mio. (GNI 'own-resources')
- ☐ Sweden gets 1 050 Mio. (GNI 'own-resources')
- ☐ the rebate for the UK is kept, reduced by certain phased-in payments for the new Member States.

ANNEX 4:

INTERINSTITUTIONAL AGREEMENT BETWEEN THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COMMISSION ON BUDGETARY DISCIPLINE AND SOUND FINANCIAL MANAGEMENT (OJ C 139, 14.6.2006, P.1)

3. DECLARATION ON THE REVIEW OF THE FINANCIAL FRAMEWORK

1. In accordance with the conclusions of the European Council, the Commission has been invited to undertake a full, wide-ranging review covering all aspects of EU spending, including the Common Agricultural Policy, and of resources, including the United Kingdom rebate, and to report in 2008/2009. That review should be accompanied by an assessment of the functioning of the Interinstitutional Agreement. The European Parliament will be associated with the review at all stages of the procedure on the basis of the following provisions:

- during the examination phase following the presentation of the review by the Commission, it will be ensured that appropriate discussions take place with the European Parliament on the basis of the normal political dialogue between the institutions and that the positions of the European Parliament are duly taken into account,

- in accordance with its conclusions of December 2005, the European Council 'can take decisions on all the subjects covered by the review'. The European Parliament will be part of any formal follow-up steps, in accordance with the relevant procedures and in full respect of its established rights.

2. The Commission undertakes, as part of the process of consultation and reflection leading up to the establishment of the review, to draw on the in-depth exchange of views it will conduct with European Parliament when analysing the situation. The Commission also takes note of the European Parliament's intention to call for a conference involving the European Parliament and the national parliaments to review the own-resources system. It will consider the outcome of any such conference as a contribution in the framework of that consultation process. It is understood that the Commission's proposals will be put forward entirely under its own responsibility.

ANNEX 5: DOCUMENTS

EP study of 2005 defined criteria for good own resource:

- **Sufficiency:** Would the revenues of the EU tax be sufficient to cover the expenditures of the EU in the long run?
- **Stability:** Would the EU tax bring about stable revenues for the EU budget?
- **Visibility:** Would the EU tax be visible to the EU citizens?
- **Low operating costs:** Would the EU tax be simple to administer and involve low compliance costs?
- **Efficient allocation of resources:** Would the EU tax lead to an efficient allocation of resources in the EU?
- **Vertical equity:** Would the EU tax involve income redistribution?
- **Horizontal equity:** Would the EU tax have an equal impact on equivalent taxpayers across the EU?
- **Fair contributions:** Would the EU tax raise revenues from the Member States in line with their economic strength?

EP working documents on the future of the European Union's resources:

- WD1 History of the Communities revenues, 27.1.2005
- WD2 The current Own resources system - Problems and shortcomings, 27.1.2005
- WD3 Scenarios for the future, 27.1.2005
- WD4 Starting point, 8.11.2006
- WD5 Towards the review, 13.11.2006

EP study of 2007 evaluated in terms of revenue share, sufficiency and stability four candidates for own resources.

- **Value Added Tax:** this tax appears to fulfil both the sufficiency and stability criteria. The required share of revenues is always below 25% and, in almost all Member States, the correlation with GDP per capita is high.
- **Excise duty on motor fuel for road transport:** in two Member States (Ireland and the Netherlands), this tax does not raise sufficient revenues. Most of the remaining member states would need to transfer between 50% and 75% of their revenues, but some countries would require more. Correlation with GDP per capita is generally high, although in some cases it is below 50%.
- **Excise duties on alcohol and tobacco:** in nine Member States, this tax does not raise sufficient revenues and for several of the other countries the required share would be larger than 75% of total revenues. Correlation with GDP per capita is generally high, although it is negative in Denmark, Finland and Sweden.
- **Corporate profit tax:** the revenues from this tax appear to be sufficient in all Member States. Most Member States would need to transfer between 25% and 50% of their revenues. In nine Member States correlation with GDP per capita is negative, suggesting low stability of revenues.



Financial resources necessary
for the Union to attain its objectives
and carry out its policies

SURE Committee Meeting
7 April 2011
Strasbourg



EUROPEAN PARLIAMENT

2009 - 2014

*Special committee on the policy challenges and budgetary resources for a sustainable
European Union after 2013*

7 April 2011

Extra-budgetary commitments and Guarantees covered by the EU budget

Extra-budgetary commitments and Guarantees covered by the EU budget

1. Intergovernmental agreements on Financial stability

Under the current **European Financial Stabilisation Package** (running until 2013), up to 750 billion can be mobilised for loan guarantees.

European Financial Stabilisation Facility (EFSF)	EUR 440 billion
European Financial Stabilisation Mechanism ⁸⁴ (margin EU budget margin)	EUR 60 billion
International Monetary Fund (IMF)	EUR 250 billion

NB: The European Financial Stabilisation Facility is a company (SA) established under Luxemburg law. Its shareholders are the Euro zone countries as of 9 May 2010⁸⁵.

From June 2013 onwards, the **European Stability Mechanism** will (for the time being) be organised in a purely inter-governmental manner, without involving the EU Budget ([EP Resolution of 23 March 2011](#), [European Council conclusions](#)). It will have an effective lending capacity of EUR 500 billion and will seek financial and technical participation of the IMF.

Credit guarantees	EUR 620 billion
Cash Capital (min 15 % of liabilities)	EUR 80 billion
International Monetary Fund (IMF)	p.m.

Currently the European **stabilisation actions** provide for a financial assistance package for Ireland. From its total volume of EUR 85 billion, both EFSM and EFSF will be contributing EUR 22,5 billion each⁸⁶.

NB: The loan package to **Greece** was not subject to the European Stabilisation instruments. Its total volume of EUR 110 billion is combined of bilateral loans from the euro area Member States (EUR 80 billion) and support from IMF (EUR 30 billion)⁸⁷.

Further information:

http://ec.europa.eu/economy_finance/eu_borrower/efsm/index_en.htm

http://ec.europa.eu/economy_finance/eu_borrower/european_stabilisation_actions/index_en.htm

⁸⁴ [Council Regulation \(EU\) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism](#)

⁸⁵ http://www.efsf.europa.eu/attachments/faq_en.pdf

⁸⁶ [Financial assistance package for Ireland](#)

⁸⁷ [Greek loan package](#)

2. Balance of Payments Assistance to Non-Euro zone Member States

For member states, which are not members of the euro zone, financial assistance can be granted under Article 143 of the Treaty⁸⁸.

This assistance is financed via loans on the financial markets, guaranteed by the EU budget (using the "headroom" between payment appropriations and the own resources ceiling)⁸⁹

Overview of balance-of-payments assistance programmes

Country	Total assistance	EU assistance	Period
Hungary	EUR 20 billion	EUR 6,5 billion	November 2010
Latvia	EUR 7,5 billion	EUR 3,1 billion	January 2012
Romania	EUR 20 billion	EUR 5 billion	May 2012

Source: European Commission, DG ECFIN

3. Macro-financial assistance

In addition, macro-financial assistance may be granted to third countries, under Article 212 and 213 of the Treaty.

The amounts authorised and disbursed in the last decade are indicated in the tables below:

Macro-financial assistance 2000-2009
Maximum amounts authorised: million euro

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
By region											
Western Balkans	55	393	190	70	25		50			300	1083
NIS	125		18 (a)				33,5	45		146	367,5
Mediterranean								80			80
Total amounts authorised¹	180	393	208	70	25		83,5	125	0	446	1530,5
Loans	90	225	78	25	9		0	50	0	365	842
Grants	90	168	130 (b)	45	16		83,5	75	0	81	688,5

(a) Net amount for Ukraine taking into account new loan of EUR 110 million together with simultaneous cancellation of EUR 92 million out of the EUR 150 million decided in 1998

(b) Grant for Moldova of EUR 15 million and simultaneous cancellation of the EUR 15 million loan decided in 2000

¹ More detailed information is available in the statistical data of the working document

Source: European Commission⁹⁰

⁸⁸ [Council Regulation \(EC\) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments](#)

⁸⁹ http://ec.europa.eu/economy_finance/eu_borrower/balance_of_payments/index_en.htm

⁹⁰ Report from the Commission to the European Parliament and to the Council on the implementation of macro-financial assistance to third countries in 2009 ([COM/2010/0513](#))

Macro-financial assistance, 2000-2009
Disbursements: million euro

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
By region											
Central Europe	160			50							210
Western Balkans		312	130	146	20	58	32				698
NIS		80	11	7	12	8,5	29	20	25	15,3	207,8
Mediterranean									15	25	40
Total amounts disbursed¹	160	392	141	203	32	66,5	61	20	40	40,3	1155,8
Loans	75	287	0	118	10	15	19	0	9	25	549
Grants	85	105	141	85	22	51,5	42	20	40	15,3	606,8

¹ More detailed information is available in the statistical data of the working document

Source: European Commission⁹¹

NB: 115 million Euro have been budgeted in 2011 under [Budget line 01 03 02](#) (in 2009, 89,1 million were budgeted as commitments).

4. Guarantees for loans and investments of the European Investment Bank

EIB activities in third countries are guaranteed by the EU budget under the External Lending Mandate. At the end of June 2010, the outstanding amounts of loans to third countries summed up to 17 608 million EUR.

These guarantees are covered, alongside with the Macro-financial assistance and Euratom loans to third countries, by the Community Guarantee Fund⁹²:

The Community Guarantee Fund (at the end of June 2010)

Outstanding amounts of loans to third countries	EUR Million
EIB lending in Non-Member States	17 608
Macro-Financial Assistance	494
Euratom Loans	55
Total	18 157

Source: Report from the Commission to the European Parliament and to the Council on guarantees covered by the general budget; Situation at 30 June 2010. ([COM\(2011\)150 fin.](#))

In addition to the Community Guarantee fund, which covers loans to third countries, some EIB loans for activities in Member States are directly guaranteed by the EU budget (EUR 3394 million at the end of June 2010). This figure is due to recent enlargement rounds (at the date of accession, loans to non-Member States were transformed in loans to Member States, which are guaranteed directly through the budget).

Annex 1 provides for an **overview about the total outstanding amounts** covered by the EU budget, as of 30 June 2010.

⁹¹ Report from the Commission to the European Parliament and to the Council on the implementation of macro-financial assistance to third countries in 2009 ([COM/2010/0513](#))

⁹² Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions (codified version), the "Guarantee Fund Regulation" (OJ L 145, 10.6.2009, p.10).

NB: The EU share in the capital of the European Bank for Reconstruction and Development EBRD is **budgeted** in Chapter 0103 (both paid and callable capital).

5. European Development Fund (EDF)

The current 10th EDF has a budget of EUR 22 682 million for a 6 year period (2008-2013). Although the EDF is managed by the Commission, it is not included in the EU budget. The European Parliament and the European Commission⁹³ have repeatedly called for its incorporation into the budget.

The 10th EDF (2008-2013)	EUR Million
ACP countries	21 966
Overseas Countries and Territories	286
European Commission (support for programming and implementation)	430
Total	22 682

Further information:

- Final accounts of the 8th, 9th and 10th European Development Funds - Financial year 2009 ([COM\(2010\)402 final](#))
- [Decision No 1/2006 of the ACP-EC Council of Ministers of 2 June 2006](#) specifying the multiannual financial framework for the period 2008 to 2013 and modifying the revised ACP-EC Partnership Agreement

6. European Economic Recovery Plan

On 11 and 12 December 2008, the European Council approved the European Economic Recovery Plan proposed by the Commission⁹⁴, equivalent to about 1,5 % of the GDP of the European Union (a figure amounting to around EUR 200 billion)⁹⁵.

European Economic Recovery Plan	EUR billion
Fiscal stimuli in the Member States	170
"Frontloading" of structural funds and cohesion funds, temporary increase in EU co-financing rates	25
Reallocation of budgeted funds for new investments in energy and broadband infrastructure	5
Total	200

⁹³ Communication from the Commission to the Council and the European Parliament - Towards the full integration of co-operation with ACP countries in the EU budget ([COM/2003/0590 final](#))

⁹⁴ [Commission Communication](#)

⁹⁵ [Presidency conclusions](#)

7. Climate Change agreements

The Copenhagen Accord from December 2009 foresees that developed countries would raise "new and additional" funds of \$30 billion from 2010-2012. The EU will provide EUR 7,2 billion in this context, mainly through the Member States.⁹⁶

For the following years, the parties of the Cancun Agreement set a "goal" to raise \$100 billion per year by 2020 to help developing countries cut carbon emissions and adapt to the effects of climate change.

Sources:

http://ec.europa.eu/clima/documentation/finance/international_en.htm

[Fast start funding: 2010 progress report](#)

[Council: EU Fast Start Finance report for Cancun](#)

8. Intergovernmental agreements in Research & Development

A recent [Commission report on the EU research area](#) indicates that Member States are contributing to coordinated research projects with more than EUR 5 billion per year⁹⁷, i.e. on a level comparable to the Framework Programme.

Non exhaustive list of intergovernmental coordinated research projects

COST	European Cooperation in Science and Technology
CERN	European Organization for Nuclear Research
EMBL	European Molecular Biology Laboratory
EMBO	European Molecular Biology Organisation
ESA	European Space Agency
ESF	European Science Foundation
ESO	European Southern Observatory
ESRF	European Synchrotron Radiation Facility
ILL	Institut Laue-Langevin
EUREKA	Intergovernmental network for market oriented R&D and innovation

⁹⁶ Under Life+ (2007-2013), some 300million Euro are addressing climate change (DG Clima presentation, SURE committee meeting 10 March 2011)

⁹⁷ European Commission: [A more research-intensive and integrated European Research Area](#). Key figures report 2008/2009 (see graph on page 104)

ANNEX:

Table 1: Total outstanding amounts covered as of 30 June 2010 in EUR million				
	Outstanding Capital	Accrued Interest	Total	%
<u>Member States*</u>				
MFA	65	0	65	<1%
Euratom	422	2	424	1%
BoP	10,700	142	10,842	33%
EIB	3,363	31	3,394	10%
<u>Sub-total Member States</u>	14,550	175	14,725	45%
<u>Third Countries**</u>				
MFA	492	2	494	2%
Euratom	55	0	55	<1%
EIB	17,468	140	17,608	54%
<u>Sub-total third countries</u>	18,014	142	18,157	55%
Total	32,563	317	32,882	100%
<p>* This risk is directly covered by the Budget. This also includes MFA, Euratom and EIB loans granted prior to EU accession.</p> <p>** This risk is covered by the Fund.</p>				

Source: Report from the Commission to the European Parliament and to the Council on guarantees covered by the general budget; Situation at 30 June 2010. ([COM\(2011\)150 fin.](#))



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EU and National budgets: growth between 1999 and 2009

EU¹ and National budgets² in 1999 and 2009

(billions of Euro)

Country	1999	2009	%increase over the period 1999-2009
	(a)	(b)	c=(b-a)/a
Belgium	119,72	183,22	53,04%
Bulgaria	5,09	13,80	171,34%
Czech Republic	23,85	63,31	165,50%
Denmark	90,57	130,71	44,32%
Germany	966,89	1145,27	18,45%
Estonia	2,15	6,23	189,55%
Ireland	30,83	79,17	156,75%
Greece	58,58	119,65	104,25%
Spain	231,20	482,62	108,75%
France	719,16	1067,84	48,48%
Italy	543,06	788,81	45,25%
Cyprus	3,37	7,86	133,17%
Latvia	2,85	8,05	182,68%
Lithuania	4,11	11,51	180,08%
Luxembourg	7,79	16,00	105,26%
Hungary	22,32	46,32	107,56%
Malta	1,57	2,53	60,76%
Netherlands	177,73	294,26	65,56%
Austria	106,26	143,36	34,92%
Poland	67,27	138,01	105,16%
Portugal	49,38	83,56	69,23%
Romania	13,24	46,78	253,42%
Slovenia	9,63	17,42	80,98%
Slovakia	9,23	25,83	179,84%
Finland	63,16	95,96	51,93%
Sweden	141,09	160,68	13,88%
United Kingdom	548,17	807,63	47,33%
EU Budget	83,49	118,36	41,76%

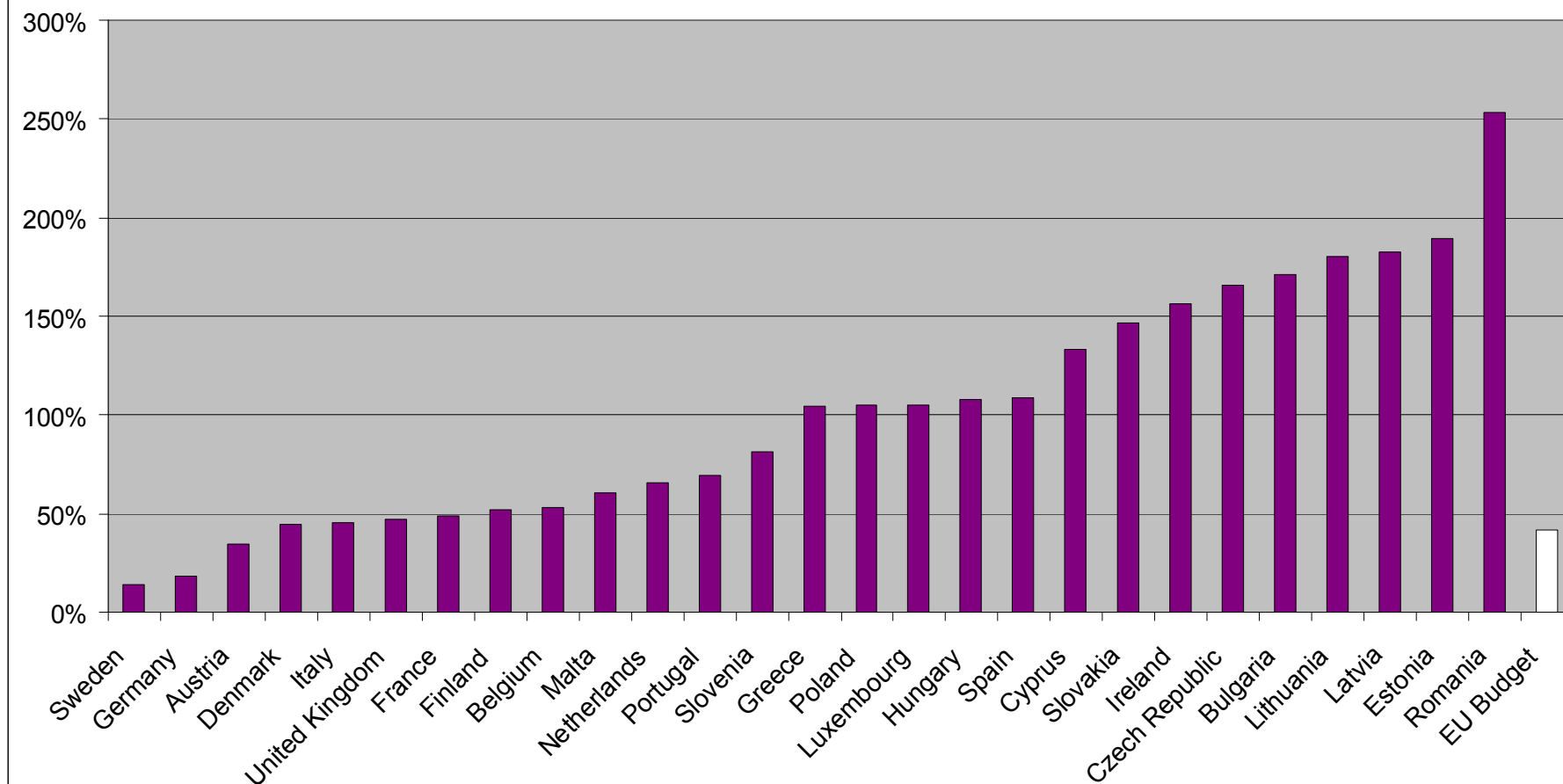
1 Total Community expenditure, source: Detailed data 2000-2009:

http://ec.europa.eu/budget/library/publications/fin_reports/fin_report_09_data_en.pdf

2 Source: Eurostat. For this purpose, "national budgets" are defined as "**general government expenditure**" covering central government, state government, local government and social security funds. This definition of "national budgets" as "general government expenditure" is the legally binding definition as set down in the Manual on Government Deficit and Debt; Methodologies and Workingpapers (ISSN 1977-0375); Implementation of ESA95,

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-09-017/EN/KS-RA-09-017-EN.PDF

Growth in EU and National budgets between 1999 and 2009, EU-27 (per cent)





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Policy Priorities



Agriculture

Exchange of views with
Dacian Cioloș, Commissioner for Agriculture

**SURE Committee Meeting
13 January 2011
Brussels**



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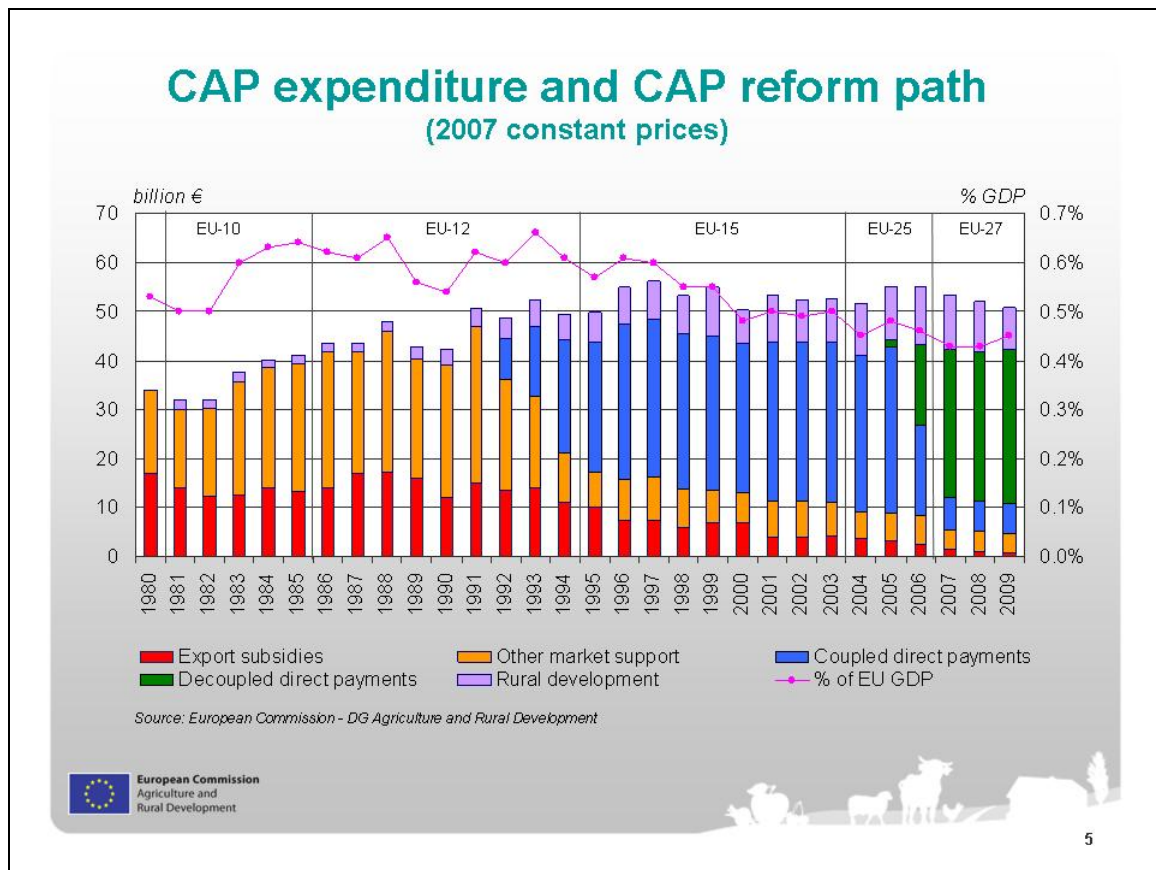
The Secretariat

Factual background note

SURE Committee meeting

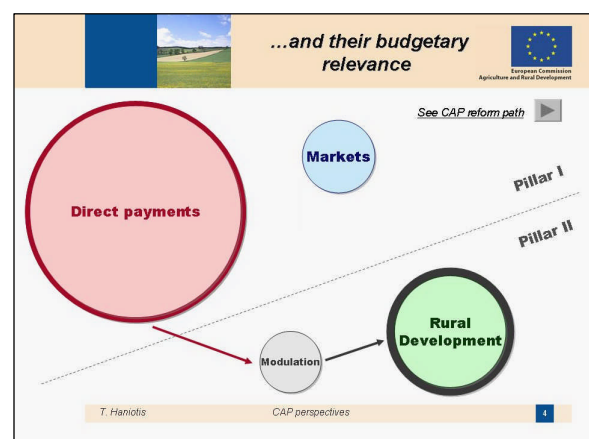
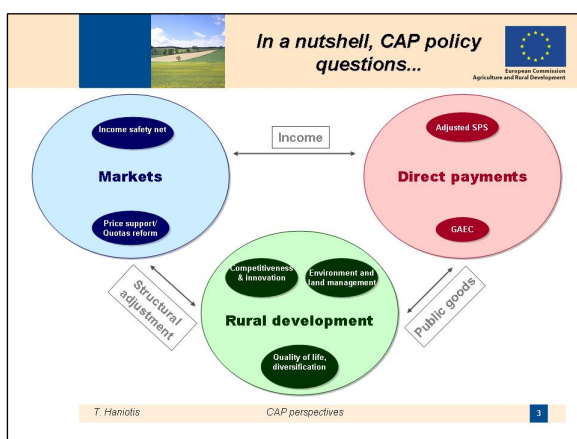
13 January 2011

AGRICULTURE

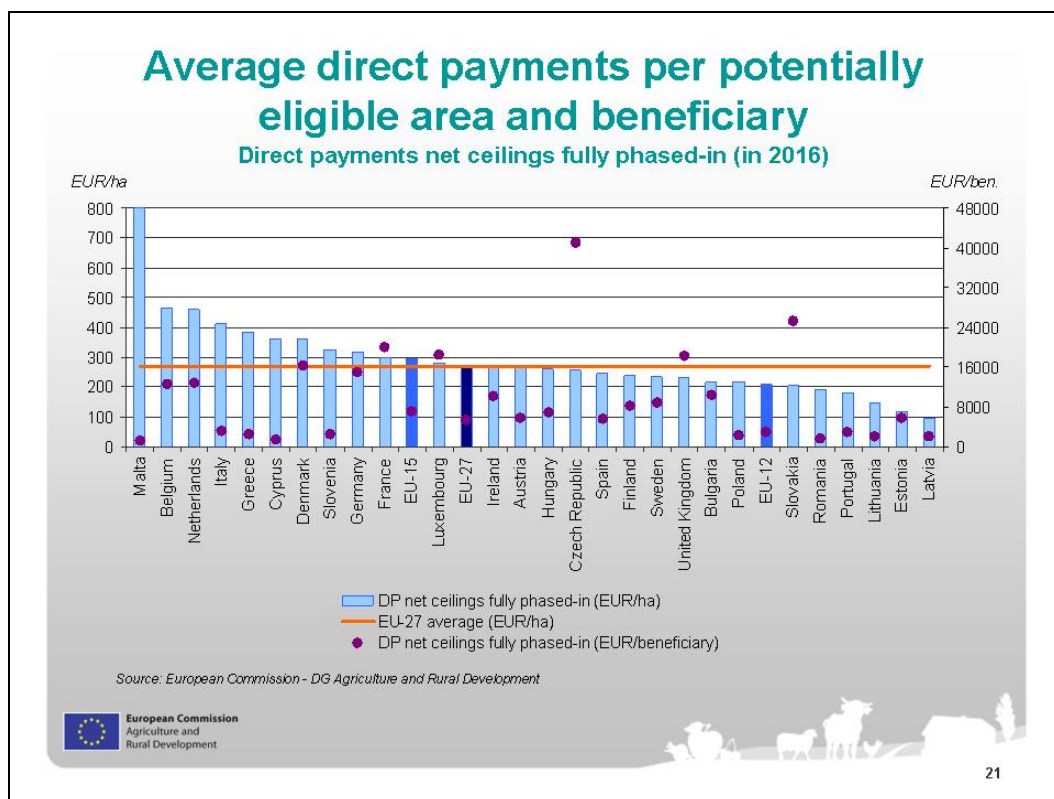


Through several reforms, the CAP has been strongly modified in the last decade. These reforms were necessary, inter alia, to allow for the GATT agreement in 1994 and to facilitate EU enlargement without a substantial increase in EU funds.

The graph shows: the shift from market measures to direct payments following the 1992 reform, the increase in rural development funds through modulation and the progressive decoupling of direct payments following the 2003 reform. It also shows the degression in the CAP's share of EU GDP as well as the relative stability in CAP expenditure since the mid-1990s.



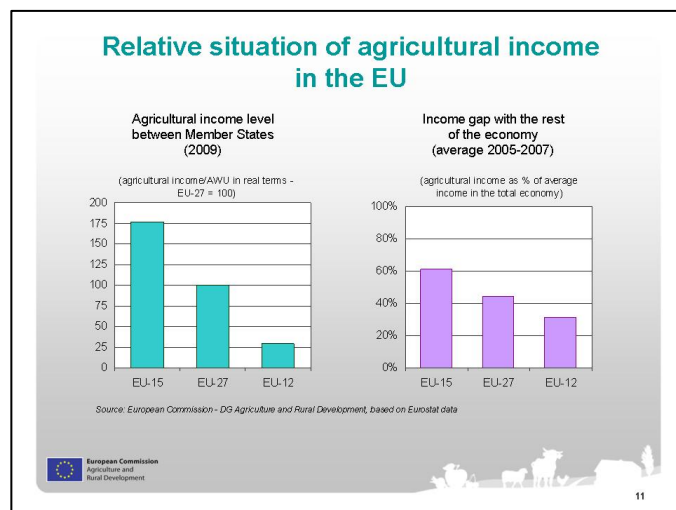
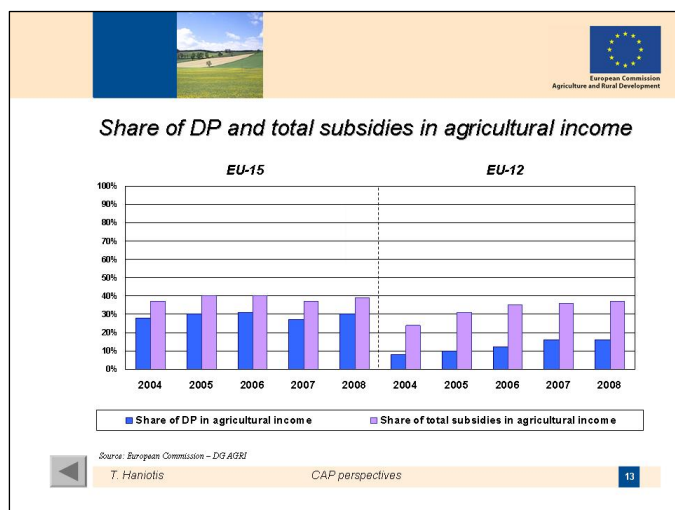
CAP policy questions are centred on the equilibrium between market regulation, direct payments for income support and rural development measures. Their respective budgetary relevance has been changing strongly over the years. Today, direct payments have the largest share of the CAP budget.

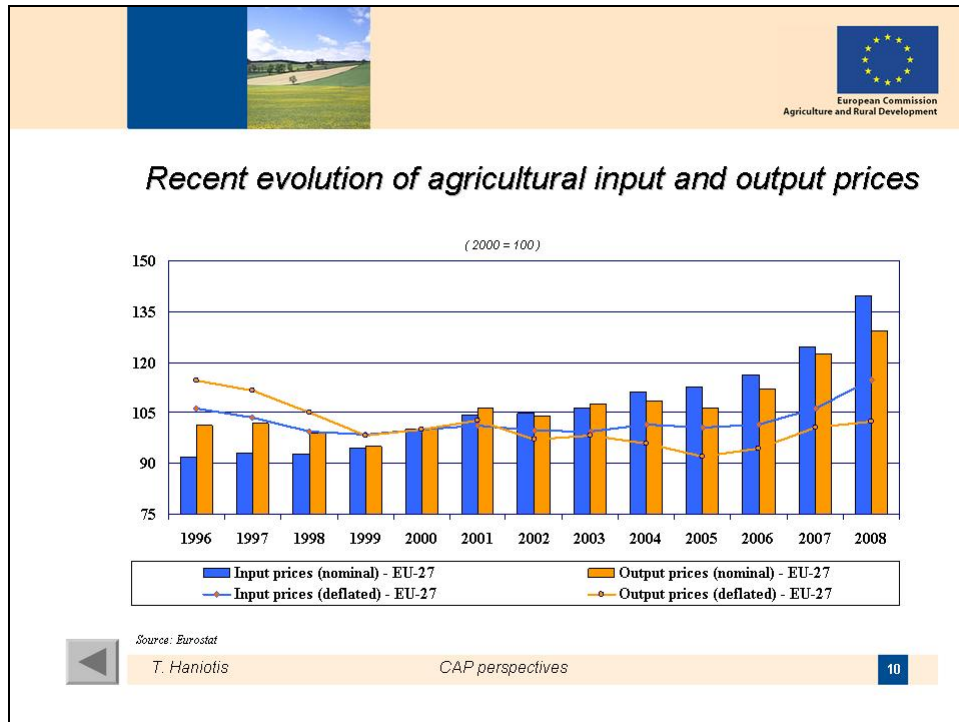


The distribution of direct payments between Member States and among farmers is one of the highly controversial issues to be tackled by any CAP reform.

The graph shows the average amount of direct payments per hectare in the Member States, after full phasing in the new Member States (see left scale in EUR/ha). The red line shows the average amount for EU-27. In addition, the dark dots indicate the average payment per beneficiary (see right scale in EUR/beneficiary).

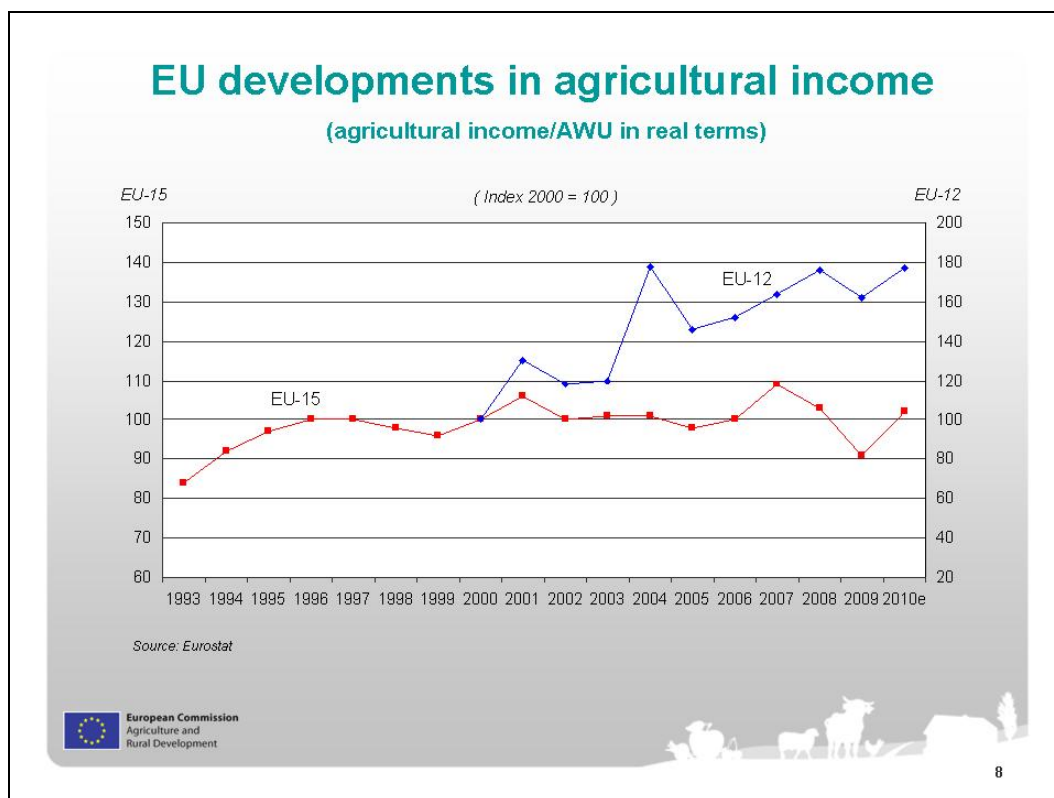
The distribution of direct payments needs to be analysed not only against the background of Member States' fair return (and the balance between net payers and net beneficiaries), but also with regard to the importance of CAP support in farm income:



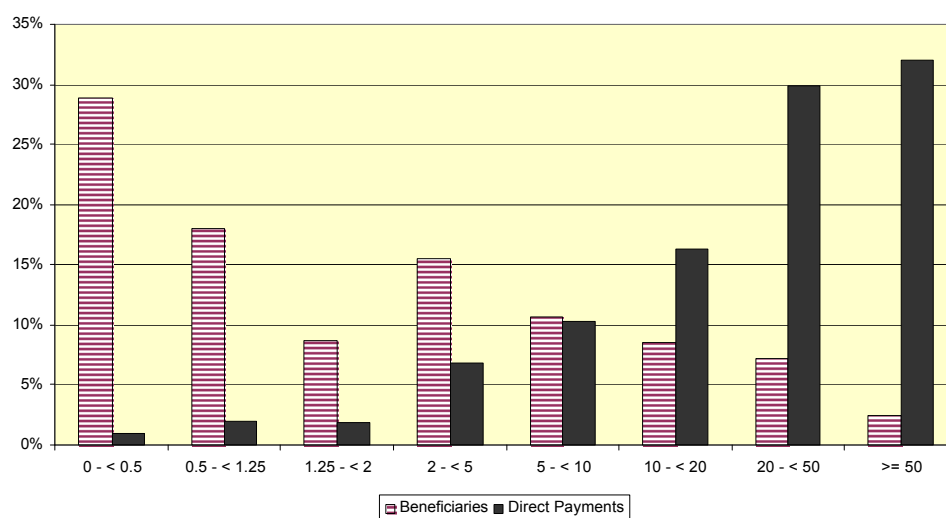


The two graphs on this page show that in the recent years, the relation between input prices and output prices has developed in a way that reduces farm income.

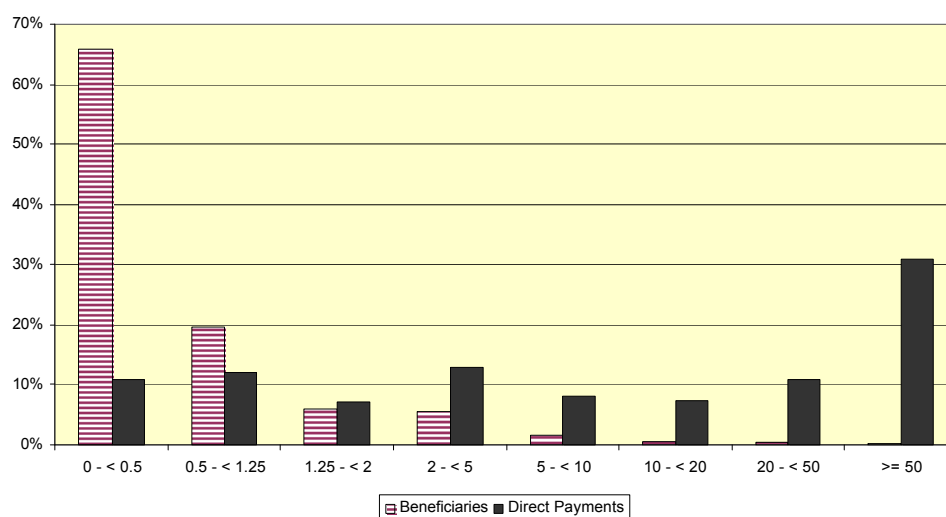
This corresponds to an increased contribution of direct payments and other CAP support to average farm income.



Graph 4a Distribution of beneficiaries and of direct payments in the EU-15 by category of direct payments received (thousand EUR), 2009 Financial Year



Graph 4b Distribution of beneficiaries and of direct payments in the EU-12 by category of direct payments received (thousand EUR), 2009 Financial Year

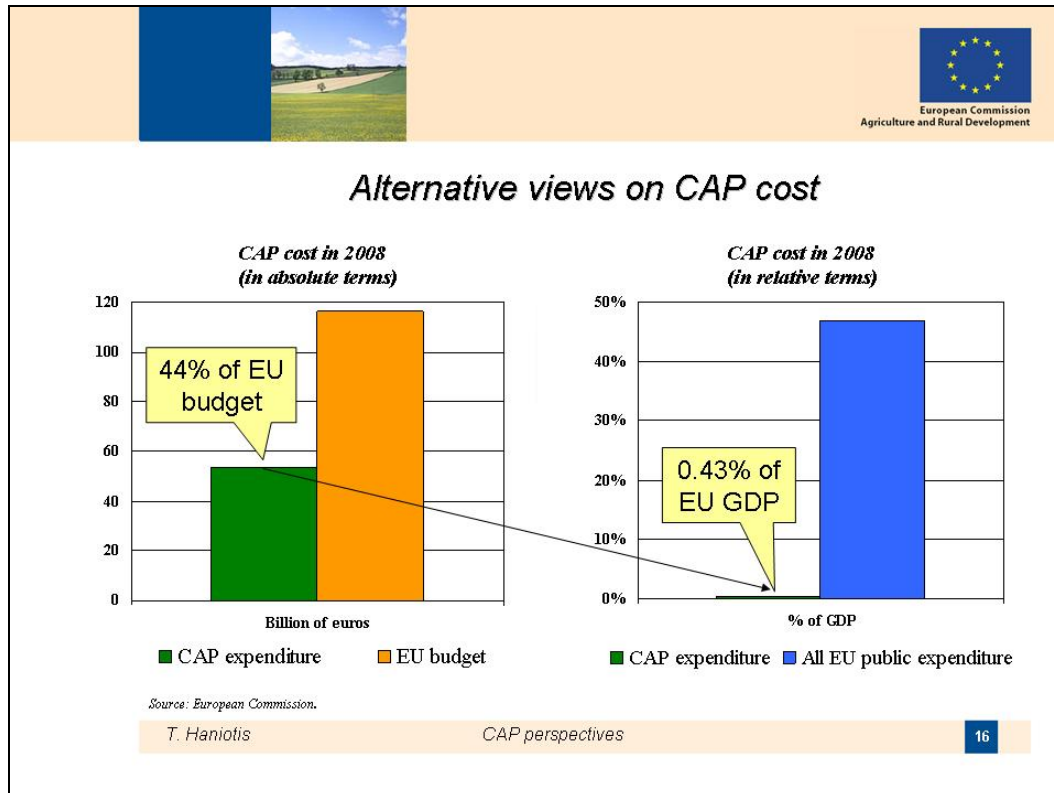


In 2008, 82% of farmers throughout Europe received less than 5000 EUR of direct payments per year. The amount of direct payments distributed to these farmers was less than 15% of the total amount spent for direct payments.

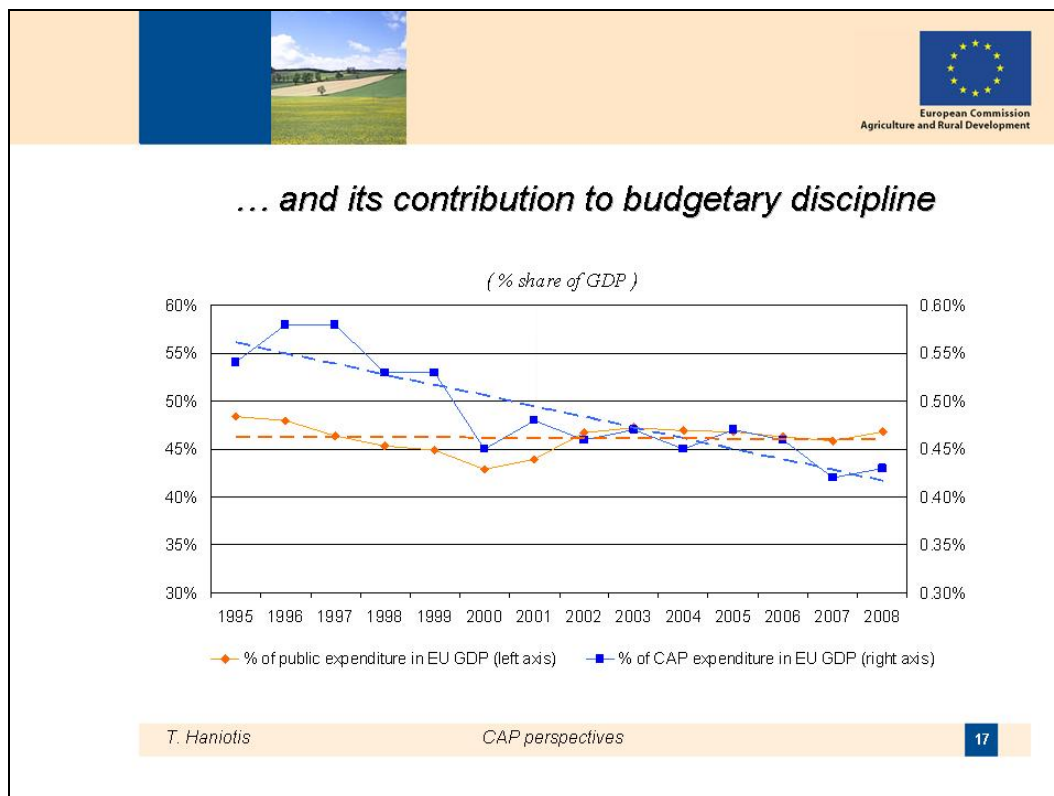
		EU-12	EU-15	EU-27
Number of beneficiaries (x 1000)		3.297	4.826	8.123
Average amount (€/beneficiary)		987	7.113	4.627
receiving 5000 EUR or less	% beneficiaries	98%	72%	82%
	% direct payments	46%	12%	15%

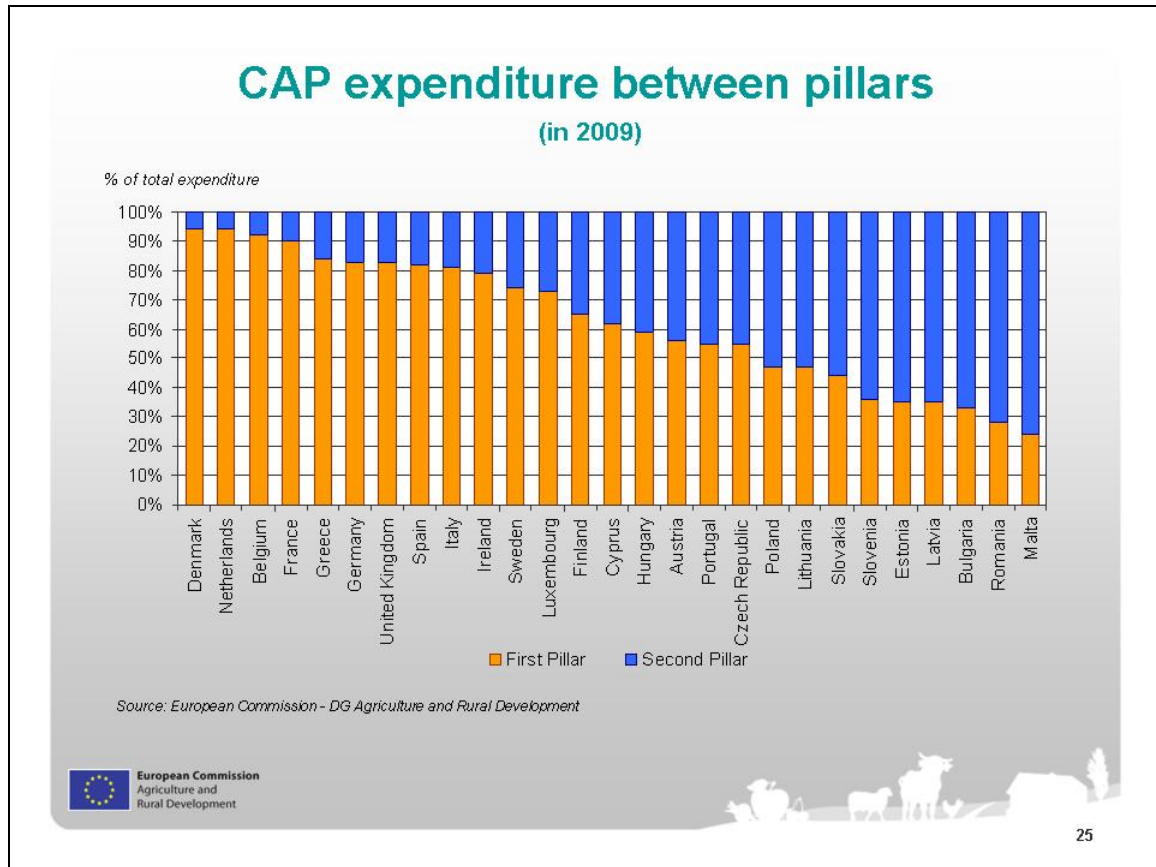
Distribution of beneficiaries and of direct payments (2008 financial year) ⁹⁸

⁹⁸ European Commission (2010): Explanatory note on the [distribution of direct aid](#) to farmers



Although the CAP expenditure constitutes more than 40 % of the EU budget, it represents less than 1 % of all public expenditure.





The graph illustrates that the relative importance of first and second pillars of the CAP are very different in various Member States.

While Denmark and the Netherlands invest more than 90 % of the total expenditure into the first pillar, other Member States, mainly from EU-12, put more emphasis on rural development expenditure.

CAP Expenditure by Member State (2007 to 2009)

In M. euros

Member State	EU 27			EU 27			EU 27		
	2007			2008			2009		
	Pillar 1	Pillar 2	TOTAL	Pillar 1	Pillar 2	TOTAL	Pillar 1	Pillar 2	TOTAL
	EAGF	EAFRD		EAGF	EAFRD		EAGF	EAFRD	
BE	769,2	64,0	833,2	747,9	64,0	811,8	717,6	61,3	778,9
BG	0,2	—	0,2	178,3	581,2	759,5	225,7	437,3	663,0
CZ	351,6	396,6	748,2	401,7	392,6	794,4	502,7	388,0	890,7
DK	1.083,5	—	1.083,5	1.061,3	128,9	1.190,2	1.038,8	67,4	1.106,2
DE	5.646,2	1.185,0	6.831,2	5.704,0	1.186,9	6.891,0	5.715,3	1.188,6	6.904,0
EE	38,4	95,6	134,0	41,7	95,6	137,3	54,7	101,0	155,7
IE	1.319,8	373,7	1.693,5	1.306,3	355,0	1.661,3	1.336,4	329,2	1.665,5
GR	2.681,0	461,4	3.142,4	2.553,8	463,5	3.017,3	2.594,4	453,4	3.047,8
ES	5.874,9	15,8	5.890,7	5.864,1	1.548,5	7.412,7	5.986,4	1.271,0	7.257,3
FR	9.172,4	914,0	10.086,4	8.946,9	959,4	9.906,3	8.920,1	947,2	9.867,3
IT	4.804,1	660,8	5.465,0	4.660,6	1.616,8	6.277,4	4.930,0	1.145,3	6.075,3
CY	27,5	26,7	54,2	28,1	24,8	52,9	38,8	23,9	62,7
LV	54,8	—	54,8	63,3	300,6	363,9	80,7	150,3	231,1
LT	168,2	261,0	429,1	173,9	248,8	422,7	218,0	249,9	468,0
LU	36,8	14,4	51,2	35,3	13,7	48,9	35,5	13,3	48,7
HU	473,2	570,8	1.044,0	513,6	537,5	1.051,1	758,0	498,6	1.256,7
MT	2,0	—	2,0	2,6	24,0	26,6	3,6	11,3	14,9
NL	1.110,2	70,5	1.180,8	977,4	72,6	1.050,0	1.077,4	73,7	1.151,0
AT	746,8	628,2	1.375,0	741,6	594,7	1.336,3	747,0	580,7	1.327,7
PL	1.209,5	1.989,7	3.199,2	1.453,3	1.932,9	3.386,3	1.749,7	1.971,4	3.721,1
PT	705,1	535,5	1.240,6	717,7	587,5	1.305,2	722,6	584,2	1.306,8
RO	6,9	—	6,9	474,0	1.146,7	1.620,7	596,2	1.502,7	2.098,9
SI	49,0	149,5	198,6	61,8	139,9	201,7	77,1	136,5	213,6
SK	157,6	303,2	460,8	165,2	286,5	451,7	220,4	268,0	488,5
FI	585,8	332,3	918,1	559,9	319,0	878,8	574,6	308,1	882,8
SE	758,9	292,1	1.051,0	745,1	277,2	1.022,3	751,8	257,0	1.008,8
UK	3.950,8	172,5	4.123,3	3.494,9	736,5	4.231,4	3.333,8	702,1	4.035,9
CEE	336,7	9,2	345,9	506,9	10,4	517,3	446,6	10,1	456,7
TOTAL	42.120,9	9.522,5	51.643,4	42.181,2	14.645,8	56.827,0	43.454,1	13.731,7	57.185,8

Annex: References

CAP after 2013

Commission Communication

http://ec.europa.eu/agriculture/cap-post-2013/communication/com2010-672_en.pdf

[EP resolution of 8 July 2010](#) on the future of the CAP after 2013

[Closing speech](#) Commissioner Ciolos Conference 20 July 2010

Policy Department B:

The CAP towards 2020: [Working Paper](#) on the EC Communication of 18.11.2010
(available on EP Intranet)

Direct payments

Implementation Direct Payments in the MS

http://ec.europa.eu/agriculture/markets/sfp/pdf/ms_en.pdf

Distribution of direct aid to farmers, by size-class of aid:

http://ec.europa.eu/agriculture/funding/directaid/distribution_en.htm

Policy Department B: [Study on the Single payment scheme](#) after 2013
(available on EP Intranet)

Implementation:

Annual Financial Reports

http://ec.europa.eu/agriculture/fin/finrep/index_en.htm

RD report 2010

<http://ec.europa.eu/agriculture/agrista/rurdev2010/ruraldev.htm>

http://ec.europa.eu/agriculture/agrista/rurdev2010/RD_Report_2010.pdf

RD report 2009

http://ec.europa.eu/agriculture/agrista/rurdev2009/RD_Report_2009.pdf

Rapporteur's selection of main issues which could be raised during the SURE Committee discussion

1. The Treaty describes the objectives of the CAP as increasing agricultural productivity, ensuring a fair standard of living for farmers, stabilising markets, guaranteeing food availability, and reasonable food prices for consumers. Which **regulation and expenditure** is necessary to achieve these objectives?
2. Given the fact that EU has been enlarged from 15 to 27 Member States without a corresponding increase of its budget, and given the ongoing reluctance of Member States to increase the EU budget: how can the ambitious objectives of the EU (and the CAP) be best achieved through **targeted** payments which guarantee **best return of public money**?
3. When assessing the contribution of current CAP expenditure to the **objectives of EU 2020**, Commissioner Lewandowski argues that today, 44,1 % of the rural development funds contribute to "Sustainable growth", while 32,9 % could be attributed to "Smart Growth"⁹⁹. The contribution of CAP direct payments and market related expenditure to the objectives of the EU 2020 strategy are not addressed. How does the Commission justify these figures?
4. Should EU spending be shifted from farm aid to research and innovation, as Commissioner Lewandowski stated in an interview with Reuters last September¹⁰⁰? What are the **"costs of non-Europe"** for rural areas?
5. Despite the CAP direct payments, **farm incomes** are still far below average incomes throughout the EU. Why can't farmers make a "fair standard of living" from their agricultural products?
6. CAP was an extraordinary success story for European integration when the EU had fewer Member States, and was preparing itself for the internal market. In order to remain an integrating policy in EU-27, should **historical references for direct payments** be replaced by other criteria (like the difference between average income and farming income in a given member state?) How can a fair and equitable distribution of direct payments between member states and among farmers be achieved?
7. Which contribution does agriculture deliver with regard to the targets of European **climate and energy** policy? Which consequences for environment, biodiversity and climate could be expected if the CAP was phased out? How can the CAP expenditure be conditioned so that public money is best invested in view of achieving the EU goals?
8. Should export refunds be abolished altogether in order to facilitate the WTO negotiations? Which consequences would a complete **liberalisation of trade** in agricultural products have?

⁹⁹ Letter from Commissioner Lewandowski to EP rapporteur Mrs Jedrzejewska from 20 August 2010

¹⁰⁰ [Reuters interview](#) with Commissioner Lewandowski 06.09.2010

9. How could the **synergies** between rural development and other EU policies (e.g. cohesion, research, regional policies) be strengthened? Can the **territorial approach** be improved by providing an integrated performance oriented incentive to regions, alongside to the targets and indicators of EU 2020?
10. Given the budgetary constraints faced by many MS and the difficulties to provide the cofinancing required for the rural development programmes, will **modulation** (the transfer of funds from first to second pillar of the CAP) come to an end after 2013?
11. Should **cofinancing** be restricted to the 2nd pillar? What has happened to the concept of mandatory co-financing for the 1st pillar discussed in the FINP committee ahead of the current MFF?
12. How can the support for **less favoured areas** (LFAs) be delivered most effectively?
13. With regard to the **capping** of direct payments suggested by the Commission: Which MS would be most concerned? How could the **labour force employed** be used as an indicator/ corrector? If direct payments are to be focussed on "**active farmers**", how should "active farmers" be defined? Would this lead to an exclusion of non-farming recipients (energy and food companies, the Royals, churches, charities, etc)?



Energy

Exchange of views with
Günter Oettinger, Commissioner for Energy

**SURE Committee Meeting
1 February 2011
Brussels**

Questions by the rapporteur

New ambitions

The Treaty on the Functioning of the European Union includes a new Title XXI on Energy. Pursuant to Article 194, the Union policy on energy shall aim, in a spirit of solidarity between Member States, to:

- (a) ensure the functioning of the energy market;
- (b) ensure security of energy supply in the Union;
- (c) promote energy efficiency and energy saving and the development of new and renewable forms of energy; and
- (d) promote the interconnection of energy networks.

Q1: Does this new legal base require new spending commitments to the Union? Which national activities (and funding) could be carried out more efficiently at EU level?

The Europe 2020 aims at achieving a "Resource efficient Europe" to help decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernise the energy infrastructure and promote energy efficiency. This ambition is captured in the "20/20/20" climate/energy targets (including an increase to 30% of emissions reduction if the conditions are right). According to the Europe 2020 Communication meeting the energy goals could result in € 60 billion less in oil and gas imports by 2020. Further progress with the integration of the European energy market can add an extra 0.6% to 0.8% GDP. Meeting the EU's objective of 20% of renewable sources of energy alone has the potential to create more than 600 000 jobs in the EU. Adding the 20% target on energy efficiency, it is well over 1 million new jobs that could be created.

Q2: What role should the EU budget play in achieving the energy objectives? Do the new ambitions require a significant increase of budgetary resources devoted to energy? Is energy mainstreaming across policy areas (e.g. research, regional policy) enough to achieve them or do we need a specific energy programme to integrate and coordinate efforts from the different potential EU funds (ERDF, EARD, TEN-E, etc.)?

Infrastructure Development

In its Budget Review the Commission estimates that around € 1 trillion will be needed by 2020 to replace obsolete capacity, and modernise and adapt infrastructures (€400bn for distribution networks and smart grids, another €200bn on transmission networks and storage, and €500bn to upgrade existing and build new generation capacity, particularly in renewable energy). While investment decisions will lie mainly with market players (energy companies, system operators and consumers), public intervention may be necessary to correct market failures.

Q3: What type of EU budgetary intervention (grants, innovative financial instruments, project bonds, etc.) offers the best European added value for contributing to the development of this huge investment plan? Should recourse be made to extra-budgetary funds to develop this massive infrastructure investment plan?

Q4: Is the current TEN-E budget (€155 million 2007-2013) sufficient to serve the purpose of promoting energy interconnectors? Should it be further increased to include support to the integration of the internal market, absorption of renewable energy sources and security of supply?

Energy efficiency

A recent EP study on European Energy Efficiency Policy¹⁰¹ found that the non-binding political target of 20% energy savings cannot be achieved with current policies and concluded that major additional policy measures need to be implemented in order to tap the large energy savings potentials that provide economic benefits to energy consumers.

Q5: Should EU budgetary efforts be step up to contribute to the attainment of the non-binding energy efficiency objective or is legislation more effective? Should compulsory energy efficiency earmarking be increased¹⁰² or would it be better to devote more resources via specific programmes?

Q5: Should the Intelligent Energy Programme continue to be part of the CIP Framework Programme or should it be transformed into a fully-fledged energy efficiency programme?

Low carbon technologies

The European Strategic Energy Technology Plan (SET-Plan)¹⁰³ aims at accelerating the development of low carbon technologies, leading to their widespread market take-up. The Commission believes that investment in the EU has to increase from the current €3 billion per year to around €8 billion per year to effectively move forward the SET-Plan actions. This would represent an additional investment, public and private, of €50 billion over the next 10 years. However, the SET-Plan proposes only joint strategic planning and more effective implementation of programmes but does not have a budget.

Q6: Where should the additional budgetary resources to fully implement the SET-Plan come from? Should recourse be made to extra-budgetary funds to implement the SET plan?

¹⁰¹ EU Energy Efficiency Policy – Achievements and Outlook, Study and Workshop Report, European Parliament Policy Department on Economic and Scientific Policy, December 2010.

¹⁰² The European Regional Development Fund (ERDF) Regulation was amended in May 2009¹⁰², expanding the scope for sustainable energy investments in buildings. Whereas Regional Policy has traditionally financed energy efficiency investments only in public and commercial buildings, it is now possible to use these funds to improve resource efficiency in the residential sector in all Member States. Up to 4% of the national ERDF allocations are now available for energy investments in housing, thus adding a potential EUR 8 billion total throughout the EU. In addition, to encourage greater use of market instruments, another regulatory amendment was approved in June 2010¹⁰², extending the use of financial engineering instruments to investments in energy efficiency and renewable energy in buildings, including existing housing

¹⁰³ COM(2007) 723, 22.11.2007.

FACTUAL BACKGROUND NOTE

on

ENERGY

for the meeting of the

**Special committee on the policy challenges and
budgetary resources for a sustainable European Union
after 2013**

1 February 2011

25 January 2011

EN

ENERGY

introduction

Although the Maastricht Treaty mentioned energy as among the activities and objectives of the Union, energy policy remained the competence of the Member States until the adoption of the Lisbon Treaty.

TFEU Article 194 of the Lisbon Treaty sets out the aims of Union policy on energy, which are to:

- ensure the functioning of the energy market;
- ensure security of energy supply in the Union;
- promote energy efficiency and energy saving and the development of new and renewable forms of energy; and
- promote the interconnection of energy networks.

The main programmes in the energy field are:

- TEN Energy
- The Intelligent energy programme within the CIP framework programme (conventional and renewable energy)
- Research related to energy
- Energy projects to aid economic recovery (EERP)
- Nuclear energy
- Research related to Fusion energy
- ITER Joint Undertaking - Fusion for energy

The first four areas above are subject to the normal legislative procedure ie co-decision. However, the European Parliament plays no role in decisions taken by the Commission and Council according to the Euratom Treaty in the field of nuclear energy. It is, nevertheless, required as one arm of the budgetary authority to authorise any expenditure from the EU budget necessary to implement such decisions. See the annexes for details of the amounts involved. Regarding the ITER Joint Undertaking, it was agreed at a budget trilogue in March 2007 that it - and all subsequent joint undertakings - would be treated as an agency for budgetary purposes, bringing decisions concerning its budget within the scope of point 47 of the Interinstitutional agreement on budget discipline (IIA). When the Commission proposes to create an agency, IIA point 47 requires the two arms of the budgetary authority to reach agreement on the financing of an agency.

recent developments in the energy field

The Commission first proposed a 20% energy efficiency objective in its Green Paper A European Strategy for Sustainable, Competitive and Secure Energy¹⁰⁴ (March 2006) and in its Energy Efficiency Action Plan¹⁰⁵ (October 2006).

¹⁰⁴ COM(2006)105 of 8.3.2006.

¹⁰⁵ COM(2006)545 final of 19.10.2006.

In January 2007, the Commission issued the first EU Energy Action Plan¹⁰⁶. The European Council endorsed the plan in March 2007 and set the "20-20-20 by 2020" goals: reduction in greenhouse gas emissions to 20% below 1990 levels, 30% in the context of a global agreement on climate; 20% share of renewables in the final energy consumption; reduction in primary energy use to 20% below the baseline projection for 2020. These goals were translated into legally binding frameworks for greenhouse gas emissions and renewable energy with the adoption in April 2009 of the Directive on the Promotion of the use of Energy from Renewable Sources¹⁰⁷, the Emission Trading Scheme Directive¹⁰⁸ and the Effort Sharing Decision covering non-ETS sectors¹⁰⁹. The directive on geological storage of carbon dioxide was also adopted in April 2009, creating the legal framework for CO2 capture and storage (CCS) technology¹¹⁰.

Although the EU will meet its Kyoto Protocol target, 20% by 2020 alone is not sufficient. All countries will need to make an additional effort, including cuts of 80-95% by 2050 by developed countries to combat climate change. In May 2010 the Commission published an analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage¹¹¹.

The Second Strategic Energy Review an EU Energy Security and Solidarity Action Plan¹¹² was adopted in November 2008. It emphasized the importance of infrastructure links needed to strengthen energy security and solidarity between Member States, as well as introduced the perspective of low carbon economy to be achieved by 2050, which will necessitate a major shift towards low carbon energy technologies. The European Parliament resolution on the Communication called for a proposal for a Security of Supply Directive and the establishment of a single European gas grid.

The European Regional Development Fund (ERDF) Regulation was amended in May 2009¹¹³, expanding the scope for sustainable energy investments in buildings. Whereas Regional Policy has traditionally financed energy efficiency investments only in public and commercial buildings, it is now possible to use these funds to improve resource efficiency in the residential sector in all Member States. Up to 4% of the national ERDF allocations are now available for energy investments in housing, thus adding a potential EUR 8 billion total throughout the EU. In addition, to encourage greater use of market instruments, another regulatory amendment was approved in June 2010¹¹⁴, extending the use of financial

¹⁰⁶ COM(2007)1 final of 10.1.2007.

¹⁰⁷ Directive 2009/28/EC

¹⁰⁸ Directive 2009/29/EC

¹⁰⁹ Decision 406/2009/EC

¹¹⁰ Directive 2009/31/EC

¹¹¹ COM(2010) 265 final of 26.5.2010.

¹¹² COM(2008)781 final of 13.11.2008

¹¹³ REGULATION (EC) No 397/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 6 May 2009 amending Regulation (EC) No 1080/2006 on the European Regional Development Fund as regards the eligibility of energy efficiency and renewable energy investments in housing.

¹¹⁴ REGULATION (EU) No 539/2010 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 June 2010 amending Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion

engineering instruments to investments in energy efficiency and renewable energy in buildings, including existing housing.

Further measures to strengthen EU internal energy supply security have been adopted. A legally binding framework for nuclear safety was agreed in June 2009¹¹⁵.

In July 2009 a set of energy market liberalisation measures were adopted¹¹⁶, the so called 'third package', completing the integration of the EU gas and electricity market.

To speed up and secure investments in infrastructure and technology projects in the energy sector, the European Energy Programme for Recovery¹¹⁷ (EPR) was agreed in July 2009 allocating €3.98 billion to finance mature energy infrastructure and technology - CCS and offshore wind - projects during 2010 and 2011. This programme is part of the European Economic Recovery Plan (EERP) adopted by the Commission in November 2008 as a response to economic and financial crisis in Europe. According to the Commission's Working Document "State of Play in the EU energy policy" published in 2010 the European Economic Recovery Plan (EERP) funding has proven to have a catalytic effect in attracting co-financers and encouraging them to make investment commitments for the strategic energy projects¹¹⁸. This has made possible the setting in motion of projects that otherwise could be delayed or abandoned due to funding constraints, particularly severe under the current economic circumstances. The EU contribution will have an important leverage effect. The expectation is that the €2.3 billion EPR grants will help to lever up to €22 billion of private sector investment over the next 3 to 5 years.

In its EU Budget Review (October 2010), the Commission proposes using the EU budget to help deliver the EU2020 goals through reprioritisation with clear political earmarking within existing policy areas. It also discusses using the EU budget to leverage extra investment in energy eg through the EIB and using EU project bonds to provide finance for investment in the field is also proposed. The Commission estimates that €400bn is needed for distribution networks and smart grids, another €200bn on transmission networks and storage, and €500bn to upgrade existing and build new generation capacity, particularly in renewable energy, between now and 2020. The Commission also proposes revenues from

Fund as regards simplification of certain requirements and as regards certain provisions relating to financial management.

¹¹⁵ Directive 2009/71/EURATOM

¹¹⁶ Directive 2009/72/EC, Directive 2009/73/EC, Regulation (EC) No 714/2009, Regulation (EC) No 715/2009, Regulation (EC) No 713/2009.

¹¹⁷ Regulation 663/2009/EC.

¹¹⁸ The EPR focuses on a relatively small number of highly strategic projects (see: COM(2010)191, Annex to the Report from the Commission to the Council and the European Parliament on the implementation of the European Energy Programme for Recovery). The identification of the projects was driven by the EU energy policy orientations set out in the Second Strategic Energy Review, taking into account progress made in the implementation of the TEN-E programme and an adequate geographical balance, and consultations with stakeholders in the areas covered by the programme. Other key award criteria were the extent to which lack of access to finance was delaying the implementation of the action; the extent to which the Community grant would stimulate public and private investments; and the social, economic and environmental impact.

auctions under the greenhouse gas Emissions Trading System and an EU energy tax as possible new own resources for the EU budget.

The European Parliament in its resolution of 8 November 2010 Towards a new Energy Strategy for Europe 2011-2020 emphasised that the new multiannual financial framework should reflect the EU's political priorities as outlined in the 2020 Strategy, which implies that a significantly higher proportion of the budget should be allocated to energy policy, including modern and smart energy infrastructure, energy efficiency, renewable-energy projects and research, development and deployment of new energy technologies. The Commission is invited to supplement or replace traditional grants by innovative financial instruments (for instance, risk-sharing facilities and loan schemes by public banks) and to encourage Member States to use such innovative financial instruments to support investments.

The Commission Communication Energy 2020 - A strategy for competitive, sustainable and secure energy¹¹⁹ (November 2010) sets the agenda for the first EU Summit on Energy on 4 February 2011. Concrete legislative initiatives and proposals will issue within the next 18 months which will address the following energy priorities for the next ten years :

- energy efficiency in Europe
- achieving a competitive, integrated pan-European market in energy
- safety and security of supply
- extending Europe's technological leadership in the field
- strengthening the external dimension of the EU energy market

The Commission estimates that around € 1 trillion will be needed by 2020 to replace obsolete capacity, modernise and adapt infrastructures and cater for increasing and changing demand for low carbon energy adding that while investment decisions lie mainly with market players (energy companies, system operators and consumers), public policy is decisive in creating a stable and transparent framework for investment decisions.

In November 2010 the Commission published a Communication on Energy infrastructure priorities for 2020 and beyond¹²⁰ setting out its proposals for EU priority corridors for power grids and gas pipelines. It estimated that to meet its 2020 energy and climate goals, around € 200 billion must be invested in energy transport alone, in gas pipelines and power grids. It further estimates that only part of this will come from the private sector, leaving a financial gap of € 100 billion.

¹¹⁹ COM(2010)639 final, 10.11.2010.

¹²⁰ COM(2010) 677 final of 17.11.2010.

A recent EP Policy Department study on European Energy Efficiency Policy¹²¹ found that the non-binding political target of 20% energy savings compared to a business-as-usual development cannot be achieved with current policies and concluded that major additional policy measures need to be implemented in order to tap the large energy savings potentials that provide economic benefits to energy consumers.

¹²¹ EU Energy Efficiency Policy – Achievements and Outlook, Study and Workshop Report, European Parliament Policy Department on Economic and Scientific Policy, December 2010.

ANNEX I

Legal bases and financial envelopes for programmes in the field of energy

Programme	Legal base	Legal base period	Reference amount legal base, € million
TEN Energy	680/2007/EC	2007-2013	155,00
CIP - Intelligent energy	1639/2006/EC	2007-2013	724,26 ¹²²
Research related to energy	1982/2006/EC	2007-2013	2 350,00 ¹²³
Energy projects to aid economic recovery (EERP)	663/2009/EC	2009-2013	3 980,00
Research related to fusion energy	2006/970/EURATOM	2007-2011	1 947,00 ¹²⁴
ITER Joint Undertaking	2007/198/EURATOM	2007-2041	9 653,00 ¹²⁵

¹²² The legal base specifies a total envelope for the Competitiveness and Innovation Programme for the period 2007-2013 and an indicative breakdown for the specific programmes as follows:

- (a) 60 % of the overall budget for the pursuance of the Entrepreneurship and Innovation Programme, of which approximately one fifth shall be allocated to promoting eco-innovation;
- (b) 20 % of the overall budget for the pursuance of the ICT Policy Support Programme;
- (c) 20 % of the overall budget for the pursuance of the Intelligent Energy — Europe Programme.

¹²³ The legal base specifies an indicative total of €32 413 million for Cooperation activities for the period 2007-2013, of which €2 350 million for energy.

¹²⁴ The legal base specifies that at least €900 million of the total must be used for activities other than the construction of ITER.

¹²⁵ The legal base specifies that the contribution from the Euratom budget will amount to €7 649 million, of which a maximum of 15% shall be for administrative expenditure - the remainder will be financed by contributions from the ITER host State, the annual membership contributions and voluntary contributions from Members of the Joint Undertaking other than Euratom, and additional resources

ANNEX II

Financial programming 2007-2013 (million EUR)

Programme	Legal base period	Reference amount legal base	Total amount programmed	Final Budget 2007	Final Budget 2008	Final Budget 2009	Budget 2010	Fin. Prog. 2011	Fin. Prog. 2012	Fin. Prog. 2013
TEN E	(07-13)	155,000	160,830	22,032	23,500	26,738	24,750	22,100	22,000	23,000
EERP	(09-13)	3 980,000	3 980,000			2 000,000	1 980,000	0,000	0,000	0,000
CIP — Intelligent Energy	(07-13)	724,26	687,29	58,88	66,06	88,74	103,56	104,50	123,30	142,25
<i>CIP — Intelligent Energy — Expenditure on administrative management</i>	(07-13)		6,41	0,84	0,80	0,77	1,00	0,90	1,00	1,10
CIP Executive Agency — Contribution from Intelligent Energy programme	(07-13)		46,02	5,28	6,68	6,68	6,63	6,60	6,90	7,25
Seventh Framework Programme for nuclear research and training activities (FP7-Euratom)	(7-11)	2 751,000	2 740,321	404,19 3	495,98 6	599,290	609,487	631,365		
Framework Programme for nuclear research and training activities (Euratom 2012)	(12-13)		1 260,270						621,976	638,294
Nuclear safety - Transitional measures (decommissioning Bohunice)	(07-13)	423,000	423,000	57,000	58,000	59,000	60,000	62,000	62,000	65,000

Programme	Legal base period	Reference amount legal base	Total amount programmed	Final Budget 2007	Final Budget 2008	Final Budget 2009	Budget 2010	Fin. Prog. 2011	Fin. Prog. 2012	Fin. Prog. 2013
Nuclear safety - Transitional measures (decommissioning Ignalina)	(07-13)	837,000	839,000	113,000	114,000	119,000	120,000	121,000	125,000	127,000
Nuclear safety - Transitional measures (decommissioning Kozloduy)	(07-13)	300,000	527,000	74,000	76,000	77,000	75,000	75,000	75,000	75,000
Euratom — Fusion energy	(12-13)		908,809						449,313	459,496
Euratom — Nuclear fission and radiation protection	(12-13)		118,245						58,120	60,125

ANNEX III

EU Budget appropriations for Energy 2001-2011 (million EUR)

Year	Budget line/Chapter	Heading	Commitments	Payments
2001	B4-1	Energy	34,30	33,7
2002	B4-1	Energy	33,10	34,6
2003	B4-1	Energy	48,0	32,4
2004	06 04	Conventional and renewable energies	54,7	40,0
	06 05	Nuclear energy	19,0	19,7
2005	06 04	Conventional and renewable energies	59,8	36,7
	06 05	Nuclear energy	158,6	159,1
2006	06 04	Conventional and renewable energies	62,3	49,9
	06 05	Nuclear energy	165,3	102,0
2007	06 04	Conventional and renewable energies	65,38	76,36
	06 05	Nuclear energy	264,3	175,4
2008	06 04	Conventional and renewable energies	70,51	75,29
	06 05	Nuclear energy	270,7	169,0
2009	06 04	Conventional and renewable energies	95,68	110,02
	06 05	Nuclear energy	277,7	130,50
2010	06 04	Conventional and renewable energies	2092,65	1100,09
	06 05	Nuclear energy	202,5	241,45
2011	32 04	Conventional and renewable energies	125,69	1080,98
	32 05	Nuclear energy	280,58	209,48

ANNEX IV

EU Budget appropriations for agencies in the field of energy (million EUR)

Budget line	Heading	Appropriations 2011 (Commitments)	Appropriations 2011 (Commitments)
08 01 04 40	ITER Joint Undertaking - expenditure on administrative management	35,900	30,900
08 20 02	ITER Joint Undertaking	351,760	343,340
32 01 06	Euratom Contribution for operation of the Supply Agency	—	—
32 04 10 01	European Agency for the cooperation of Energy Regulators - Contribution to Titles 1 and 2	4,017	2,000
32 04 10 02	European Agency for the cooperation of Energy Regulators - Contribution to Title 3	0,983	p.m.
32 01 04 30	Executive Agency for Competitiveness and innovation – Contribution from the competitiveness and Innovation Framework Programme - "Intelligent Energy – Europe" programme	6,633	6,601
32 06 02	Research related to energy – Fuel Cells and Hydrogen (FCH) Joint Undertaking	24,510	19,200

ITER Joint Undertaking - total budget (million EUR)

2007-2016		2017-2041		2007-2041
	of which 2007-2011		Constant values	Total
4 127	1 717	5 526	3 544	9 653

ITER Joint Undertaking - contribution from Euratom budget (million EUR)

2007-2016		2017-2041		2007-2041
	of which 2007-2011		Constant values	Total
3 147	1 290	4 502	2 887	7 649

ANNEX V

EU Budget appropriations for Pilot Projects and Preparatory Actions in the field of energy (million EUR)

Budget line	Heading	Appropriations 2011		Appropriations 2010	
		Commitments	Payments	Commitments	Payments
21 04 05	Global Energy Efficiency and Renewable energy Fund (GEEREF) – Preparatory Action	p.m.	0,5	p.m.	2,2
32 04 07	Pilot Project – Energy security – Biofuels	p.m.	1,5	p.m.	1,5
32 04 08	Pilot Project – Portplus – sustainable energy plan for ports	p.m.	p.m.	1,5	1,5
32 04 09	Investment fund for renewable energy and bio-refineries from waste and residues	p.m.	p.m.	p.m.	1,5
32 04 12	Pilot Project – European Framework programme for the development and exchange of experience on sustainable urban development	p.m.	0,3	p.m.	0,45
32 04 13	Preparatory action – European islands for a common energy policy	p.m.	0,5	p.m.	0,5
32 04 15	Pilot Projects in the field of waste recuperation and its valorisation for clean energy	p.m.	p.m.	1,0	1,0

ANNEX VI

Implementation of commitments for energy 2001-2010 (million EUR)

		INITIAL BUDGET	EFTA	Current Reserve	C/Fwd & Reconstituted appropriations	Amending Budget	TRANSFERS		OTHER APPROPRIATIONS	Total Budget (excl. Reserves)	IMPLEMENTATION AS AT 31 / 12 / N		IMPLEMENTATION AS AT 31 / 12 / N-1	
							Budget Authority	Other			Amount	%	Amount	%
Energy (B4-1) (Heading 3 - Internal Policies)														
2001	Energy	34,30		0,00	28,10	0,00	0,00	0,00	0,00	62,40	61,70	98,88%	2,50	6,65%
2002	Energy	33,10	0,60	0,00	0,00	0,00	0,00	0,00	2,20	35,90	33,40	93,04%	62,70	95,58%
2003	Energy	0,00		0,00	0,00	0,00	48,00	0,00		48,00	46,84	97,58%	32,76	91,48%
Energy (Heading 3 - Internal Policies)														
2004	Energy	50,88		0,00	0,00	153,00	0,00	0,00		203,88	201,93	99,04%	46,84	97,58%
2005	Energy	199,70		0,00	0,00	0,00	0,00	0,00		199,70	179,93	90,10%	201,47	99,87%
2006	Energy	207,51		0,00	0,00	0,00	0,00	0,46		207,97	206,12	99,11%	198,48	97,92%
2007	Conventional & renewable energies	65,38		0,00	0,00	-0,46	1,28	0,00		66,20	66,11	99,87%	60,63	97,38%
	Nuclear energy	264,30		0,00	0,00	0,00	0,00	0,00		264,30	263,29	99,62%	163,31	98,80%
2008	Conventional & renewable energies	70,51		0,00	0,00	0,00	2,10	0,00		72,61	72,61	100,00%	66,11	99,87%
	Nuclear energy	270,70		0,00	0,00	0,00	-0,60	0,00		270,10	268,84	99,53%	263,29	99,62%
2009	Conventional & renewable energies	95,68		0,00	0,00	0,00	1,38	1.998,80		2.095,86	2.095,62	99,99%	75,61	99,99%
	Nuclear energy	277,70		0,00	0,00	0,00	0,00	0,00		277,70	276,97	99,74%	268,83	99,53%
2010	Conventional & renewable energies	2.092,65		0,00	0,00	0,00	0,00	2,00		2.094,65	1.943,83	92,80%	2.095,61	99,99%
	Nuclear energy	202,50		0,00	0,00	0,00	0,00	75,00		277,50	273,60	98,59%	276,97	99,74%



TEN-T, Research and Innovation

TEN-T: Exchange of views with
Siim Kallas, Commissioner for Transport

Research and Innovation: Exchange of views with
Máire Geoghegan-Quinn, Commissioner for Research,
Innovation and Science

**SURE Committee Meeting
1 February 2011
Brussels**

In the presence of Siim Kallas, Commissioner for Transport

Questions by the rapporteur

1. European added value

European added value of TEN-T is mostly taken for granted, at least when cross border sections of TEN are concerned. Which instruments or policy adaptations are however needed in order to

- ensure investments dovetail with each other and avoid duplication of investments?
- improve implementation and reduce delays, ensure that Member States actually match their stated commitments with investments from national budgets?
- Move away from an aggregate of national projects to projects with real European added value and ensure that also the sections less attractive for the Member States are effectively financed and implemented?
- remove bottlenecks on strategic trans-European axes?
- improve interoperability in railway networks beyond the actions already taken?
- encourage private and public cofunding?

2. Coordination between TEN-T, Cohesion funds and ERDF

The EU contribution to the TEN-T priority projects is financed jointly by the TEN-T, the Cohesion funds and ERDF. Which contribution shall the EIB make in the future? How can the coordination between the various funds involved be improved? Which budgetary means will be needed in the future MFF in order to reach the targets set? Which conditionalities for EU funding (to general common principles) are needed in order to increase spending efficiency? Should earmarking of cohesion funds for TEN-T be increased in the future MFF?

3. TRAN questions beyond TEN-T: Galileo / Single European Sky

Given the problems with finding adequate funding for Galileo in the current MFF, how will adequate financing for Galileo and Global Navigation Satellite Systems for transport be assured post-2013? Which funds will be needed / available for infrastructure investment, for operating costs and for research and development? With regard to the failure of public-private-partnership, which lessons should be drawn for the future investments?

Given the duplications and shortcomings of the current European air traffic management system, enormous costs savings are to be expected from a Single European Sky management. Is the Commission confident that a real SES will exist once the Functional Airspace Blocks are operational? Do the costs savings for Member States not justify in itself the investments necessary (e.g. for SESAR)?

How can the idea of European Infrastructure Project Bonds (so-called "Barroso bonds" or "Delors bonds") be further explored in order to find private investors for large European infrastructure projects like TEN? Should the Commission be issuing such bonds or should it be providing a guarantee for bonds issued by the private sector?

FACTUAL BACKGROUND NOTE

on

TRANS-EUROPEAN NETWORKS

for the meeting of the

**Special committee on the policy challenges and
budgetary resources for a sustainable European Union
after 2013**

1 February 2011

25 January 2011

EN

TRANS -EUROPEAN NETWORKS

OVERVIEW

The establishment and development of the trans-European networks (TEN) is considered to be a key policy for the proper functioning of the internal market and for economic and social cohesion (Articles 170 to 172 of the Treaty on the Functioning of the European Union).

The EU financial contribution takes the form of co-financing of projects of common interest identified in the Community guidelines for the following programmes: trans-European transport network (TEN-T), trans-European energy network (TEN-E) and trans-European telecommunications network (eTEN). This contribution is made available through the following financial instruments (see annex I to V for the reference amounts):

- TEN budget line managed in accordance with Regulation (EC) No 2236/95 of the Council amended by Regulation (EC) No 1655/1999, No 788/2004, No 807/2004 and No 680/2007¹²⁶)
- Grants from the Cohesion Fund budget in the countries eligible for its intervention
- Grants from the ERDF, mainly on Convergence objective regions
- European Investment Bank (EIB) loans
- European Investment Fund (EIF) loan guarantees
- Cooperation programmes with third countries: external policy programmes (PHARE, TACIS, MEDA and SYNERGY) have financed several East-West and regional interconnection studies relating to energy networks in or linked to eligible third countries
- European economic recovery plan (EERP): under this instrument TEN-E projects will receive an important financial support in 2009-2011

However the majority of funding for TEN-T projects (almost 70% in 2007-2013) comes from Member States/the private sector period (see annex V).

The TEN-T executive agency was created in 2006 to manage the large and complex TEN-T budget. Its mandate currently runs to 31.12.2015.¹²⁷

The following chapters summarise some most recent evaluations of TEN-T, TEN-E and e-TEN programmes and give an overview of future policy guidelines and commitments for completion/re-launch of TEN-T and TEN-E programmes.

EVALUATIONS

TEN-T

It will be difficult for some of 30 priority projects to meet its deadlines (for some of the most complex projects, such as the Alpine crossings - even 2020 deadline), analysis shows that it is the cross-border sections and the most complex bottlenecks that are facing the biggest delays (source:

¹²⁶ eTEN programme being completed in 2006, the last Regulation 680/2007 provides for funding only for TEN-T and TEN-E projects, it should be also mentioned that for eTEN projects there was no other source of EU financing than the TEN budget line

¹²⁷ OJ L 190, 18.7.2008, p.35.

Commission' s implementation report on the TEN-T policy published in 2009).

The updated costs of the Priority Projects, was set at approximately €415 billion which constitutes an increase of 4.5% as compared to the costs presented in the previous 2008 progress report (€397 billion). The remaining investment for the period after 2013 has increased considerably from nearly 30% to 35% (source: Commission's implementation report on the TEN-T policy published in 2009).

Community's support for 30 priority projects has proven its EU added value much more than in the case of comprehensive network development (source: the Commission Green Paper "TEN-T policy review: Towards a better integrated trans-European transport network at the service of the common transport policy" published in 2010).

Although the Community financial resources available are still not sufficient to meet the needs of TEN-T projects in full, action directed towards more limited and commonly agreed objectives has been far more effective and visible (source: the Commission Green Paper "TEN-T policy review: Towards a better integrated trans-European transport network at the service of the common transport policy" published in 2010).

EU co-financing of the development of rail infrastructure, contributed providing new possibilities for trans-European transports but some actions could however been taken in order to achieve greater value for EU money (source: European Court of Auditors' Special Report No 8 published in 2010).

The conceptual approach according to the EU TEN-T guidelines in intelligent transport systems¹²⁸ made it possible to incorporate technological developments, market needs and cooperation initiatives between partners from different Member States and, combined with the 50% funding possibility for project preparation, has had a significant impact on the development of cross-border projects which might not have existed otherwise (source: the Commission Green Paper "TEN-T policy review: Towards a better integrated trans-European transport network at the service of the common transport policy" published in 2010).

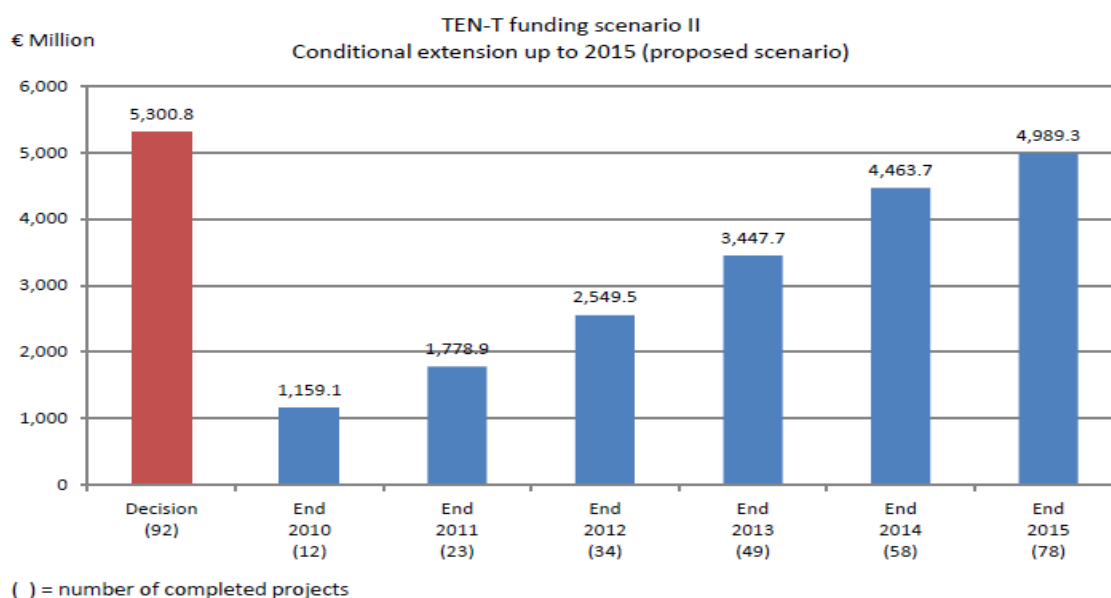
In October 2010 the Commission published the mid-term review of the 2007-2013 TEN-T multi-annual work programme (MAP). The review looked at a total of 92 projects selected under the 2007 calls for proposals and which were originally foreseen to be completed by the year 2013¹²⁹. The overall outcome of the MAP review can be summarised as follows:

¹²⁸ such as Galileo and the Single European Sky Air Traffic Management Research (SESAR), Vessel Traffic Management and River Information Services

¹²⁹ The 92 projects account for approximately two-thirds of the total TEN-T budget (€5.301 billion out of a total €8.013 billion) and 78% of the total MAP for the entire 2007-2013 period. The total budgeted cost of these projects is €32.647 billion. Therefore, the TEN-T budget accounts for approximately 16% of the projects' budgeted costs.

- a. Confirmation of EU support to the most critical and complex projects within the TEN-T
- b. Prolongation of the eligibility period for a maximum of two more years (to the end of 2015), subject to specific political, technical and financial conditions (see graph below)
- c. Cancellation of projects that have not started within the first two years after adoption of the Commission Decision based on the above actions, funding Decisions for individual projects will be amended. In the event that the revised implementation plans or the conditions, as detailed in the individual project summary sheets, are not respected, the Commission will apply further cuts in funding that will be re-injected into the Programme.

The graph below shows one of the scenarios as proposed in the mid-term review, which would enable the completion of outstanding projects by 2015.



Source: http://ec.europa.eu/transport/wcm/infrastructure/ten-t_map_project_portfolio.pdf

TEN-E

TEN-E has made a positive contribution to energy projects by giving them political visibility and helping leverage funds from the financial market (source: Commission's report on the implementation of the trans-European energy networks for the period 2007-2009 published in 2010).

The new policy environment creates a challenge for TEN-E, which has neither the resources nor the flexibility to make a full contribution to the delivery of the ambitious energy and climate goals of the future (source: Commission's report on the implementation of the trans-European energy networks for the period 2007-2009 published in 2010).

The growing energy interdependency between Member States, the greater emphasis on achieving climate change goals and the increasing need to improve security of energy supply all present new challenges that TEN-E had not previously been designed to tackle (source: report on "The revision of the trans-European energy network policy" published 2010).

According to the Commission's Working Document "State of Play in the EU energy policy" published in 2010 the European Economic Recovery Plan (EERP) funding has proven to have a catalytic effect in attracting co-financers and encouraging them to make investment commitments for the strategic energy projects¹³⁰. This has made possible the setting in motion of projects that otherwise could be delayed or abandoned due to funding constraints, particularly severe under the current economic circumstances. The EU contribution will have an important leverage effect. The expectation is that the €2.3 billion EERP grants will help to lever up to €22 billion of private sector investment over the next 3 to 5 years.

E-TEN

The programme was useful and its management effective.

The potential for synergy between the eTEN programme and the European Cohesion Fund might have been better exploited.

The programme may be expected to produce strong overall impacts by stimulating new areas of activity and demonstrating the ways in which Information Communication Technologies may contribute to effective policy objectives. The Competitiveness Innovation Programme can be expected to build effectively on the results of eTEN (source: Commission's evaluation report 2008).

FUTURE POLICY GUIDELINES

TEN-T

According to the "Position Paper of the European Transport Coordinators on the Future of TEN-T Policy" published in 2009, the next financial perspectives,

¹³⁰ The EERP focuses on a relatively small number of highly strategic projects (see: COM(2010)191, Annex to the Report from the Commission to the Council and the European Parliament on the implementation of the European Energy Programme for Recovery). The identification of the projects was driven by the EU energy policy orientations set out in the Second Strategic Energy Review, taking into account progress made in the implementation of the TEN-E programme and an adequate geographical balance, and consultations with stakeholders in the areas covered by the programme. Other key award criteria were the extent to which lack of access to finance was delaying the implementation of the action; the extent to which the Community grant would stimulate public and private investments; and the social, economic and environmental impact.

will require greater financial contribution as the most difficult to realise and difficult to finance sections on the Priority Projects will be under construction during this period¹³¹. Alternative financing for these projects, such as public private partnerships, may be difficult to engineer as only a few of them have turned out to be successful, however, the paper examines all sorts of other opportunities for alternative financing.

The Commission in its Green Paper on "TEN-T A policy review"¹³² suggested three following structural options for further TEN-T development:

- Maintaining the current dual layer structure with the comprehensive network and (unconnected) priority projects
- Reducing the TEN-T to a single layer (priority projects, possibly connected into a priority network)
- Dual layer structure with the comprehensive network and a core network, comprising a – geographically defined – priority network and a conceptual pillar to help integrate the various transport policy and transport infrastructure aspects.

It also stressed that a cost-benefit analysis would be needed in order to provide European added value to common projects taking into account external costs, network or cohesion benefits, and geographical asymmetries between benefits and the financial cost of investments.¹³³ It would allow grants from the Community budget to be allocated fairly and objectively, and to be limited to projects with established Community added value.

The European Parliament resolution of 22 April 2009 on the Green Paper on the future of TEN-T policy urged the EC to integrate the EU's environmental and climate change policies into TEN-T decision-making and called on the EC and Member States to take into account new developments such as the financial crisis, demographic change, enlargement and intensified connections with Eastern and Mediterranean countries.

The European Parliament resolution of 5 May 2010 on the recast of the TEN-T guidelines called for a target date of 2020 for completion of the TEN-T network .

According to the Commission's Communication on "The EU Budget Review" published in 2010, €500bn is estimated to be needed for the implementation of the TEN-T programme until 2020 and between €38-58bn and €181-268bn to achieve the Commission's broadband targets

¹³¹ Among which the Brenner and Mont Cenis base tunnels and their access routes, the Fehmarn Belt crossing, the Seine-Scheldt and the Rhine/Meuse-Main-Danube inland waterway axis, Motorways of the Sea and their hinterland connexions or complex bottlenecks such as the Stuttgart-Ulm section.

¹³² The paper also prepared the basis for the review of the TEN-T Guidelines, including public consultation which took place in spring 2009. The results are due to be published in 2011.

¹³³ One Member State may, for example, be faced with particularly high costs for implementation of a project on its territory, while other Member States may draw disproportionate benefits from this investment.

TEN-E

The European Parliament in its resolution of 8 November 2010 on "Towards a new Energy Strategy for Europe 2011-2020" emphasised that the new multiannual financial framework should reflect the EU's political priorities as outlined in the 2020 Strategy, which implies that a significantly higher proportion of the budget should be allocated to energy policy, including modern and smart energy infrastructure, energy efficiency, renewable-energy projects and research, development and deployment of new energy technologies. The Commission is invited to supplement or replace traditional grants by innovative financial instruments (for instance, risk-sharing facilities and loan schemes by public banks) and to encourage Member States to use such innovative financial instruments to support investments.

The report on "The revision of the trans-European energy network policy" published in 2010 assessed the benefits and drawbacks of different scenarios and policy options for TEN-E by estimating the investment needs and costs in the gas and electricity networks in the 2020 and 2030 time horizons in Europe.

In November 2010, the Commission published the communication "Energy 2020. A strategy for competitive, sustainable and secure energy" according to which investment of around € 1 trillion will be needed by 2020 to replace obsolete capacity, modernise and adapt infrastructures and cater for increasing and changing demand for low carbon energy adding that while investment decisions lie mainly with market players (energy companies, system operators and consumers), public policy is decisive in creating a stable and transparent framework for investment decisions. The Commission stresses that the new tools created by the third Internal Energy Market Package, including an Agency for the Cooperation of Energy Regulators (ACER) and the new Networks of Transmission System Operators for Electricity and Gas (ENTSO-E and ENTSO-G) should be fully utilised in the coming years for the further integration of energy markets.

According to the Commission's Communication on "The EU Budget Review" published in 2010, €400bn is estimated as the need for distribution networks and smart grids and another €200bn on transmission networks and storage in energy sector by 2020.

ANNEX I

The table below shows the reference amounts according to the legal bases.

Financial envelopes for Trans-European networks (TEN) since 1995 (million EUR/ECU)

Programme	Legal Basis	Legal basis period	Reference Amount Legal Basis
Transport, energy, telecom	EC No 2236/95	1995-1999	2.345
	EC No 788/2004	2000-2006	4.875
TEN T	EC No 680/2007	2007-2013	8.013
TEN E			155
TEN E (EERP)	EC No 663/2009	2009-2011	2.365

ANNEX II

Financial programming 2007-2013 (million EUR)

Programme	Legal basis period	Reference Amount Legal Basis	Total Amount Programme d over the period	Final Budget 2007	Final Budget 2008	Final Budget 2009	Budget 2010	Fin. Prog. 2011	Fin. Prog. 2012	Fin. Prog. 2013
TEN T	(07-13)	8.013,000	8.038,415	930,968	969,425	934,582	1.062,440	1.242,000	1.357,000	1.542,000
TEN E	(07-13)	155,000	160,830	22,032	23,500	26,738	21,460	22,100	22,000	23,000

ANNEX III

EU Budget appropriations for TEN-T 2000-2011 (million EUR)

Year	Budget line	Heading	Commitments	Payments
2000	B5-700	Financial support for projects of common interest in the trans-European transport network	581,0	456,3
2001	B5-700	Financial support for projects of common interest in the trans-European transport network	572,2	522,2
2002	B5-700	Financial support for projects of common interest in the trans-European transport network	581,4	524,4
2003	B5-700	Financial support for projects of common interest in the trans-European transport network	625,0	587,3
2004	06 03 01	Financial support for projects of common interest in the trans-European transport network	619,0	678,0
2005	06 03 01	Financial support for projects of common interest in the trans-European transport network	671,4	670,0
2006	06 03 01	Financial support for projects of common interest in the trans-European transport network	692,1	670,0
2007	06 03 01	Completion of financial support for projects of common interest in the trans-European transport network		348,0
	06 03 03	Financial support for projects of common interest in the trans-European transport network		
2008	06 03 01	Completion of financial support for projects of common interest in the trans-European transport network		300,0
	06 03 03	Financial support for projects of common interest in the trans-European transport network	955,9	370,0
2009	06 03 01	Completion of financial support for projects of common interest in the trans-European transport network		150,0
	06 03 03	Financial support for projects of common interest in the trans-European transport network	921,7	613,0
2010	06 03 01	Completion of financial support for projects of common interest in the trans-European transport network		150,0
	06 03 03	Financial support for projects of common interest in the trans-European transport network	998,8	725,0
2011	06 03 01	Completion of financial support for projects of common interest in the trans-European transport network		38,2
	06 03 03	Financial support for projects of common interest in the trans-European transport network	1178,2	772,6

EU Budget appropriations for Trans-European transport networks Executive Agency 2006-2011 (million EUR)

Year	Budget line	Heading	Appropriations
2006	06 01 04 31	Trans-European transport networks – Executive Agency	6,715
2007	06 01 04 31	Trans-European transport networks – Executive Agency	8,617
2008	06 01 04 31	Trans-European transport networks – Executive Agency	10,213
2009	06 01 04 31	Trans-European transport networks – Executive Agency	9,974
2010	06 01 04 31	Trans-European transport networks – Executive Agency	9,974
2011	06 01 04 31	Trans-European transport networks – Executive Agency	9,900

EU Budget appropriations for TEN-E 2000-2011 (million EUR)

Year	Budget line	Heading	Commitments	Payments
2000	B5-710	Financial support for energy infrastructures	25,0	18,0
2001	B5-710	Financial support for energy infrastructures	21,0	18,0
2002	B5-710	Financial support for energy infrastructures	21,0	15,0
2003	B5-710	Financial support for energy infrastructures	22,0	22,8
2004	06 03 02	Financial support for energy infrastructures	16,1	20,0
2005	06 03 02	Financial support for energy infrastructures	21,5	22,0
2006	06 03 02	Financial support for energy infrastructures	21,6	20,0
2007	06 03 02	Completion of financial support for projects of common interest in the trans-European energy network		13,5
	06 03 04	Financial support for projects of common interest in the trans-European energy network	21,2	
2008	06 03 02	Completion of financial support for projects of common interest in the trans-European energy network		20,7
	06 03 04	Financial support for projects of common interest in the trans-European energy network	22,3	4,2
2009	06 03 02	Completion of financial support for projects of common interest in the trans-European energy network		9,1
	06 03 04	Financial support for projects of common interest in the trans-European energy network	26,0	6,0
2010	06 03 02	Completion of financial support for projects of common interest in the trans-European energy network		11,0
	06 03 04	Financial support for projects of common interest in the trans-European energy network	20,8	6,5
2011	32 03 01	Completion of financial support for projects of common interest in the trans-European energy network		10,0
	32 03 02	Financial support for projects of common interest in the trans-European energy network	24,2	10,5

EU Budget appropriations for TEN-Telecom 2000-2011 (million EUR)

Year	Budget line	Heading	Commitments	Payments
2000	B5-720	Trans-European telecommuniactions network	44,1	29,1
2001	B5-720	Trans-European telecommuniactions network	30,0	30,0
2002	B5-720	Trans-European telecommuniactions network	36,5	27,5
2003	B5-720	Trans-European telecommuniactions network	38,5	29,2
2004	09 03 04	Trans-European telecommuniactions network	38,5	29,2
2005	09 03 04	Trans-European telecommuniactions network	46,6	36,5
2006	09 03 04	Trans-European telecommuniactions network	47,0	37,3
2007	09 03 04 01	Completion of trans-European telecommunications networks		45,0
2008	09 03 04 01	Completion of trans-European telecommunications networks		30,0
2009	09 03 04 01	Completion of trans-European telecommunications networks		14,5
2010	09 03 04 01	Completion of trans-European telecommunications networks		6,3
2011	09 03 04 01	Completion of trans-European telecommunications networks		1,7

ANNEX IV

Implementation commitments for TENs 2001-2010 (million EUR)

	INITIAL BUDGET	EFTA	Current Reserve	C/Fwd & Reconstituted appropriations	Amending Budget	TRANSFERS		OTHER APPROPRI ATIONS	Total Budget (excl. Reserves)	IMPLEMENTATION AS AT 31 / 12 / N		IMPLEMENTATION AS AT 31 / 12 / N-1	
						Budget Authority	Other			Amount	%	Amount	%
TEN (06 - Energy and transport) (Heading 1a)													
2001 Budget	651,00		0,00	0,30	0,00	14,40	0,00	0,00	665,70	656,70	98,65%	663,30	98,09%
2002 Budget	677,00	0,50	0,00	1,60	0,00	-0,50	0,00	0,20	678,80	641,30	94,48%	655,10	98,41%
2003 Budget	725,06		0,00	2,08	0,00	-5,50	0,00		721,64	711,28	98,56%	640,76	94,40%
2004 Budget	712,00		0,55	4,04	61,10	6,30	2,80		786,24	768,58	97,75%	710,80	98,50%
Trans-European Networks (Heading 3 - Internal Policies)													
2005 Budget	785,72		0,00	5,13	0,00	0,00	0,00		790,85	733,45	92,74%	768,58	97,76%
2006 Budget	801,04		0,00	7,08	0,00	6,50	0,00		814,62	805,09	98,83%	766,95	96,48%
2007 Budget	35,62		0,00	2,00	0,00	917,38	0,00		955,00	954,58	99,96%	722,22	99,69%
Trans-European Networks (B5-7) (Heading 3 - Internal Policies)													
2008 Budget	992,93		0,00	0,00	0,00	0,00	0,07		993,00	991,64	99,86%	954,58	99,96%
2009 Budget	947,79		0,00	0,00	0,00	0,00	0,00		947,79	947,79	100,00%	980,71	100,00%
2010 Budget	1,083,90		0,00	0,00	0,00	0,00	0,00		1,083,90	1,081,79	99,81%	961,09	99,98%

ANNEX V

Breakdown of the sources of financing to TEN-T projects (Source: European Commission
http://ec.europa.eu/transport/infrastructure/funding/doc/funding_figs.pdf)

Comprehensive Network EU 27, 2020 horizon

Transeuropean Transport Network	1996 – 1999 EU 27	2000 – 2006 EU 27	2007 – 2013 EU 27
Cost (€ billion)			
TEN-T Basic Network	106	302	390
- New Member States (EU 12)	5	27	72
- Old Member States (EU 15)	101	275	318
Community contribution (€ billion)			
Programme TEN-T	2.23	4.43	8.013
Cohesion Fund	8.23	16.50	34.8
ERDF (regions convergence)	7.51	8.6	9.4
EIB Loans and guarantees	26.50	41.4	53.00
Total Community contribution (€ billion)			
Grants	18.06 (17%)	29.53 (9.8%)	52.2 (13.4%)
Grants and Loans	44.56 (41 %)	70.93 (22.5%)	105 (27%)
Other resources (national)	63.4 (59%)	231.1 (76.5%)	285 (73%)

Priority projects (excluding Galileo)
30 priority projects (2020 horizon)

TEN-T Priority projects	1993/96 – 1999 EU 15	2000 – 2006 EU 27	2007 – 2013 EU 27
Cost (€ billion)			
TEN-T 30	32.65	93.7	154
- New Member States (EU 12)			16
- Old Member States (EU 15)			138
Community contribution (€ billion)			
Programme TEN-T	1.35	2.80	5.4
Cohesion Fund	3.83	7.0	12.3
ERDF	1.46	4.81	4.7
EIB Loans and guarantees	9.78	16.1	25
Total Community contribution (€ billion)			
Grants	6.64 (20.3%)	14.61 (15.6%)	22.4 (14.5%)
Grants and loans	16.42 (50.3%)	30.71 (32.8%)	47.4 (30.8%)
Other resources (national)	16.23 (49.7 %)	63 (67.2 %)	106.6 (69.2 %)

In the presence of Máire Geoghegan-Quinn, Commissioner for Research, Innovation and Science

Questions by the rapporteur

European added value

Public funding for research in Europe is channelled through different funding modes at European, national and regional level. EU R&D spending represents around 7% of national spending.

Q1: Does the distribution (7%-93%) between EU and national spending offer the greatest added value to European taxpayers? Which national R&D activities (and funding) could be carried out more efficiently at EU level and which current EU activities could be better done at national/regional level?

The concept of coordinated European funding is being broadened with the new instruments launched with FP7: ERA-NETs, Article 169 and Joint Programming. These initiatives corresponded to some 10 % of the FP7.

Q2: Does the coordination of national research programmes offer to researchers and taxpayers more added value than pooling resources at EU level?

In 2008 the Community established the European Institute of Innovation and Technology (EIT) with the EU Contribution of €308 million to assist innovation, research and education projects. In December 2010, the EIT signed a Framework Partnership Agreement (FPA) and an Annual Grant Agreement with two Knowledge Innovation Communities (KICs), namely EIT ICT Labs and KIC InnoEnergy. A third contract is expected to be signed soon with the Climate-KIC.

Q3: Does the EIT have the budgetary critical mass to deliver its ambitious objective of addressing Europe's innovation gap? Do (the 3) EIT KICs offer better value for money than funding research and innovation networks through the Framework Programme?

Simplification

Pursuant to Article 179 of TFEU the Union shall have the objective of achieving a European research area in which researchers, scientific knowledge and technology circulate freely. Harmonised research funding rules are essential to achieving this 'internal market for research'. However, whilst the bulk of Member States' research funding is provided through grants, the Union provides support in the form of contracts which put more emphasis in controlling eligible costs than results.

Q4: Should EU R&I projects be funded through grants and controlled on the basis of results rather than on activity? Could this change significantly reduce management overheads of participants and administration costs of the Commission? Should the Financial Regulation include special provisions to facilitate the management of research funds?

Strategic Research and Innovation Framework

The Budget Review proposes that the full range of EU instruments for research and innovation work together in a common strategic framework.

Q5: Should the Research and Innovation Framework Programmes better address the integrated nature of the technological innovation chain? Should a separate innovation programme cover non technology-based innovation?

The current CIP programme covers in addition to the Entrepreneurship and Innovation programme (€2.2 billion) an ICT support programme (€728 million) and an Intelligent Energy programme (€727 million).

Q6: Should the ICT and Energy support programmes continue to be part of a future Innovation programme or should they be better integrated with their policy-related programmes?

The average annual Union funding for research and innovation has increased from slightly over € 4.4 billion per annum during the period 2000-2006 to almost € 15 billion in the period 2007-2013. This increase is to a large extent linked to an increase of structural funds for research and innovation, reaching a level on a par with the FP budget, while concentrating its funding directly on single Member States or regions, with only some 2.4 % for transnational activities.

Q7: Which synergies have been achieved during the period 2007-2010 between Structural Funds and Research and Innovation programmes? Does the 2,4% devoted by research- and innovation-related Structural Funds investments to transnational activities seem appropriate? How would a strategic framework improve synergy between Structural and Research and Innovation Framework programmes?

Budgetary resources

The interim evaluation of FP7 by independent experts called for fixing the budget of FP8 at the level of FP7 in 2013 (which means in practical terms around €70 billion for FP8).

Q8: Does the Commissioner agree with this proposal from the experts? Does she believe that with this level of funding the aims of the EU 2020 strategy and of achieving a European Research Area could be fulfilled?

FACTUAL BACKGROUND NOTE

on

Research and Innovation Policy

for the meeting of the

**Special committee on the policy challenges and
budgetary resources for a sustainable European Union
after 2013**

1 February 2011

25 January 2011

EN

Contents:

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- Budgetary evolution FP5 - FP7 (figures)
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- MFF summary by programmes related to research and innovation (table)
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RESEARCH AND INNOVATION

OVERVIEW

€145 billion are dedicated to Research and Innovation under the MFF 2007-2013:

(current prices in EUR million)

Budget for Research and Innovation 2007-2013	Period	Total Amount
HEADING 1A — COMPETITIVENESS FOR GROWTH AND EMPLOYMENT		
Seventh Framework Programme for research and technological development (FP7 – EC)	(07-13)	50 554
Competitiveness and Innovation Framework Programme (CIP)	(07-13)	3 624
European Institute of Innovation and Technology (EIT)	(08-13)	309
Seventh Framework Programme for nuclear research and training activities (FP7 – Euratom)	(07-11)	2 740
Framework Programme for nuclear research and training activities (" Euratom 2012 ")	(12-13)	1 260
HEADING 1B — COHESION FOR GROWTH AND EMPLOYMENT		
Parts of Structural and Cohesion Funds foreseen for R&D and innovation (which represent about ¼ of the total of Heading 1B) ¹³⁴	(07-13)	86 400

¹³⁴

according to European Commission,
http://ec.europa.eu/regional_policy/themes/research/index_en.htm

Commission,

Presentation of the (sub-) programmes and policies¹³⁵

The European Union finances **actions for research and innovation** through the following programmes and policies:

1. **Seventh Research Framework Programme (FP7-EC)** providing €50.5 billion budget for the period 2007-2013, out of this total:
 - €32.4 billion will be allocated to the **Cooperation** programme with the purpose to support the whole range of research activities carried out in trans-national cooperation according to the following themes: Health; Food, Agriculture and Biotechnology; Information and Communication Technologies; Nanosciences, Nanotechnologies, Materials and new Production Technologies; Energy; Environment (including Climate Change); Transport (including aeronautics); Socio-economic Sciences and the Humanities; Security and Space;
 - €7.5 billion will be allocated to the **Ideas** programme to support investigator-driven "frontier research" carried out by individual, national, or transnational teams in competition at the European level;
 - €4.7 billion will be allocated to the **People** programme to support training and career development of researchers, referred to as "Marie Curie" actions;
 - €4.1 billion will be allocated to the **Capacities** programme to support research infrastructures; research for the benefit of Small and Medium Enterprises (SMEs); regional research driven clusters; unlocking the full research potential in the EU's "convergence" regions; "Science in Society" issues; and horizontal" activities of international co-operation;
 - €1.7 billion will be allocated to support the non-nuclear direct scientific and technical actions carried out by the **Joint Research Center**
2. Under the Seventh Framework Programme for "nuclear research and training activities" (**FP 7-Euratom**) €4 billion are foreseen of which €2 750 million for the period of 2007 to 2011 and €1260 million for the period 2012-2013. The bulk of these amounts go to "Fusion energy research" most of which in turn goes to ITER, an international project for the construction of the fusion energy source.
3. **Competitiveness and Innovation Framework Programme (CIP)**, providing €3.6 billion for the period 2007-2013:

¹³⁵ The table in annex 3 shows the annual amounts allocated to FP7, CIP, EIT, and other programmes related to Research and Innovation since 2007 and the amounts as programmed until 2013

- €2.2 billion will be allocated to the **Entrepreneurship and Innovation Programme (EIP)** to improve the competitiveness and innovativeness of European enterprises and particularly SMEs including €1.1 billion for Financial Instruments and €430 million for eco-innovation projects;
 - €728 million to the **Information Communication Technologies Policy support Programme (ICT-PSP)** to stimulate innovation and competitiveness through better use of ICT (information and communications technology) and digital content by citizens, governments and businesses.
 - €727 million to the **Intelligent Energy – Europe Programme (IEE)** to foster energy efficiency and the rational use of energy resources; promote new and renewable energy sources and to support energy diversification; and promote energy efficiency and the use of new and renewable energy sources in transport.
4. In 2008 the Community established the **European Institute of Innovation and Technology (EIT)** with the EU Contribution of €308 million to assist innovation, research and education projects. The Institute is to be operational by the end of 2010.
5. **The Cohesion Policy** earmarks for research and development (R&D) and innovation €86.4 billion (i.e. 25% of the total of the €348 allocated to the Structural and Cohesion Funds under the MFF) for the period 2007-2013:
- €50.5 billion have been earmarked to **R&D and innovation in the narrow sense**, including €10.2 billion to Research and Technological Development (RTD) infrastructure and centres of competence, €9 billion for investment in firms directly linked to research, €5.8 for RTD activities in research centres, €5.7 billion for assistance to R&TD, particularly in SMEs, €5.6 billion for technology transfer and the improvement of cooperation of networks, €4.9 billion in developing human potential in the field of research and innovation and €2.6 billion to assistance to SMEs for the promotion of environmentally-friendly products and production processes;
 - €8.3 billion to **entrepreneurship**, including €5.2 billion for advanced support services for firms and €3.2 billion to support self-employment and business start-ups;
 - €13.2 billion to innovative **information and communication technologies (ICTs)** to foster the demand side of ICT, in particular €5.2 billion for services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.) and €2.1 billion for Services and applications for SMEs (e-commerce, education and training, networking, etc);
 - €14.5 billion to **human capital**, including €9.7 billion for the development of life-long learning systems and strategies in firms;

training and services for employees to step up their adaptability to change, promoting entrepreneurship and change, €2.8 billion for the development of special services for employment, training and support in connection with restructuring and development of systems anticipating future skills needs and €1.9 billion for the design and dissemination of innovative and more productive ways of organising work.

FP7 in relation to national spending on Research and Development

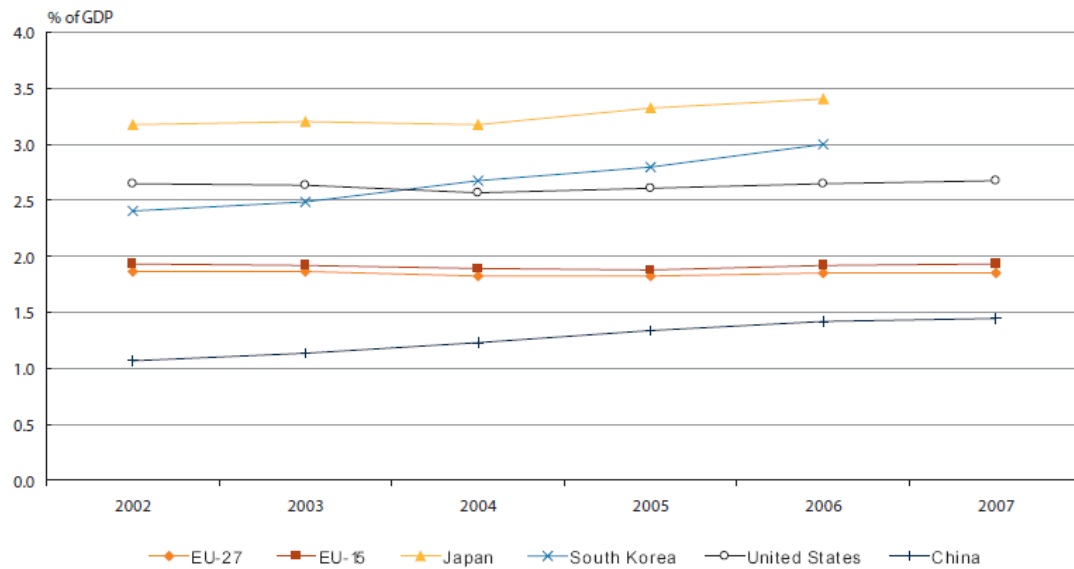
Table Government budget appropriations and outlays on R&D in 2008 ¹³⁶

(€ billion)	
Germany	19,8
France	14,6
Italy	9,9
Spain	11,6
UK	11,7
Other EU15	17,8
EU12	3,8
EU 27 Member States	89,8
FP7	5,6
Other FP	0,8
<i>Total FP</i>	<i>6,4</i>
Total EU	96,2
[% share of FP]	[6,7]
USA	96,8

¹³⁶ Interim Evaluation of the Seventh Framework Programme of November 2010., p.20, based on Eurostat, 2010 edition of *Science, Technology and Innovation in Europe*; DG Budget of the European Commission, *Financial Report 2009*

R&D EXPENDITURE AS PERCENTAGE OF GDP COMPARED INTERNATIONALLY¹³⁷

Figure 2.1: R&D expenditure as a percentage of GDP (R&D intensity), all sectors, EU-27, EU-15, Japan, the United States, China and South Korea — 2002–2007



Note:
 EU-27 and EU-15: Eurostat estimations.
 US: provisional data for 2007; excludes most or all capital expenditure.
 KR: excludes R&D in social sciences and humanities.

Source: Eurostat (rd_e_gertot/), OECD-MSTI for CN, KR, JP and US.

¹³⁷ source: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-EM-10-001/EN/KS-EM-10-001-EN.PDF, page: 42

EVALUATION

10 recommendations from the [FP7 Interim Evaluation](#) of November 2010:

1. **To advance ERA (European Research Area) and Innovation Union objectives, integrating the research base** by overcoming fragmentation in research is vital, while simultaneously achieving a sharper division of labour between what is done at EU level and what is undertaken in national programmes. European research and innovation efforts must concentrate on themes where critical mass is vital for success and where breakthroughs require cross-border solutions, while also allocating sufficient resources to R&D topics which promise radical innovations. Addressing the 'Grand Challenges' confronting the European Union should increasingly be at the heart of EU research policy.
2. **To develop and implement high quality research infrastructures.** Research infrastructures (RIs) are pivotal for the Knowledge Triangle, and as such are a pillar for implementing the ERA, but there needs to be coherence between what is funded by FP7 under the heading of *Capacities*, the ESFRI and capacity building undertaken as part of **Cohesion** policy and what is being considered in the context of Joint Programming. More effort should be made to boost RIs during the latter stages of FP7, especially the Integrated Infrastructure Initiatives (I3) that have the greatest scope for added value at European level. In addition there should be a focus on promoting their impact by establishing synergies between training instruments and utilisation of RIs and by stimulating industrial and third country access.
3. **The level of funding should, at least, be maintained.** Although the straitened budgetary conditions following the severe economic crisis will mean tough choices have to be made in public spending, the competitive challenges that the EU faces require sufficient investment in long-term economic development and there should be no reduction in funding for FP7 in its latter stages. There is a compelling case for continued substantial funding of research in the Eighth Framework Programme, not least as one of the key tools to achieve the Europe 2020 goals. A reasonable level of funding per year could be that reached in the last year of FP7. In relative terms, this would mean that the percentage of the total EU budget that FP7 will have when it ends should be regarded as a minimum.
4. **A well-articulated innovation** strategy needs to ensure that instruments and priorities encourage participation from a broad spectrum of small and large enterprises, universities and research and technology organisations. The research and innovation strategy also has to take into account the need to support European enterprises' efforts to integrate in global innovation networks. The open, international character of the FP7 could therefore be expanded.

Specific actions should be taken in the context of the evolving financial crisis to channel financial support for research and innovation to areas of crucial importance for European competitiveness.

5. **Simplification needs a quantum leap**, and the Expert Group calls for all Directorates-General and agencies rapidly to implement the short-term simplification measures recently put forward in a Communication by the Commission and to ensure that they are applied rigorously from 2011-2013. Coherence of procedures and approaches between Commission Directorates General and the Executive Agencies responsible for administering FP7 is of crucial importance. The Expert Group proposes that the Commission consider the upcoming revision of the Financial Regulations as an opportunity to create more flexible conditions for research in subsequent FPs. In addition the Group pleads for the Commission to switch from its present low-risk/low-trust attitude to a more trust-based and risk-tolerant approach.
6. **The mix of funding measures** in FP7 and successor programmes should strike a different balance between bottom-up and top-down approaches to research, with greater emphasis in the specific programme *Cooperation* during 2011-2013 on more open calls. It is also important that the linkages between research and innovation are adequately complemented by research training.
7. **A moratorium on new instruments** should be considered until the existing ones have been sufficiently developed and adequately evaluated, and care should be taken to avoid a confusing proliferation of instruments.
8. **Further steps to increase female participation in FP7 should be taken in its remaining years**, in particular:
 - Measures to boost female participation should be reinforced throughout project lifecycles, paying particular attention to overcoming gender-specific obstacles which women face.
 - The Commission should reinvigorate its approach to promoting female scientists and should aim to galvanise Member States to address gender gaps, especially where female researchers face specific obstacles, while ensuring that it redoubles its efforts to achieve gender balance with a specific strategy for the remainder of FP7. It should accept its responsibilities in a leadership role, with the support of the Member States, to use positive measures for the training of female scientists, including a dedicated scheme under the Marie Curie actions.
 - The 40% target for female participation in Programme and Advisory Committees should be sensitively but rigorously implemented.

9. **To pave the way for increased participation from Member States that are underrepresented** greater prominence should be given to improved connections between the **Structura Funds** and the FP. Moreover, within the FP, the importance of the *People* programme for developing the potential for scientists from EU12 should be stressed, as should the scope for using infrastructures.
10. **Opening of the FP7 to international cooperation** is of great value. As other regions rapidly strengthen their research and innovation capacities (with Asia perhaps being the most notable example), but also as the urgency to address global challenges grows, the ability of European research and innovation to link up with other regions, markets and research and innovation agendas and to meet global needs for innovative solutions to 'Grand Challenges' becomes increasingly important. A review based upon a thorough analysis of the current strategy towards international cooperation is needed. The international perspective must be integrated into all programmes and instruments.

Further evaluation reports are listed in the annex.

EUROPEAN PARLIAMENT'S POSITIONS INCLUDING FUTURE POLICY GUIDELINES

RESOLUTION OF 20 MAY 2010 on the implementation of the synergies of research and innovation earmarked Funds in Regulation (EC) No 1080/2006 concerning the **European Fund of Regional Development and the Seventh Framework Programme for Research and Development** in cities and regions as well as in the Member States and the Union (2009/2243(INI)):

The resolution includes **recommendations with a view to the next programming period**: It stresses the need to **review and consolidate the role of the EU instruments** that support innovation, namely the Structural Funds, the EAFRD, the Framework Programme for Research and Development, the CIP and the SET plan (Strategic Energy Technology plan), with a view to rationalising administrative procedures, facilitating access to funding, especially for SMEs, and introducing innovative incentive mechanisms based on achieving objectives linked to intelligent, sustainable and integrative growth, as well as to promoting closer cooperation with the EIB.

Members consider that the Structural Funds are the appropriate instrument for supporting local and regional authorities in their endeavours to promote creativity and innovation. They underline the **need for greater flexibility to ensure the swift use of this funding for purposes of promoting innovative business initiatives**. They also consider that **cities and regions** should pursue **smart and sustainable specialisation** by defining a few innovation priorities based on the EU objectives and on their needs.

Pointing out that transnational cooperation is the essence of FP7 and CIP, and that territorial cooperation (via transnational, interregional and cross-border programmes) is mainstreamed in the Structural Funds, Members call on the Commission to: (i) **reinforce the European territorial cooperation objective in the future**, through its further mainstreaming; (ii) invites the Commission to evaluate the possibilities of enhancing territorial cooperation in the field of innovation in each cohesion policy objective; points out that better knowledge of the results of FP7 and CIP at regional level would facilitate practical coordination between the EU Regional policy and these programmes; (iii) pay particular attention to the coordination between EU regional policy and the framework programmes for research and innovation (FP7, CIP).

The resolution underlines the need to **harmonise the rules, procedures and practices** (eligibility rules, standard unit costs, lump sums, etc.) governing different instruments and to ensure better coordination (of schedules of calls for proposals, themes and types of calls, etc.) and calls on the Commission to explore possibilities to that end.

The Commission is called upon to: (i) simplify the bureaucracy for the FP7 and CIP in order to strengthen the effects of synergies with the Structural Funds; (ii) continue its activities aimed at fostering synergy, and to keep the European Parliament informed on their evolution, particularly on the situation of vertical cooperation between the EU and national and regional entities.

In its **RESOLUTION OF 15 JUNE 2010** on "**Community innovation policy in a changing world**" (T7-0209/2010) following Commission's Communication (COM(2009)0442) Parliament calls for a **strengthened European approach to financing innovation**, to be considered in connection with the 2014-2020 Financial Perspective. It also points out that the rules for eligibility for R&D funding regarding preindustrial and/or experimental R&D should be reviewed at the same time and calls on the Member States to increase their R&D funding in order to achieve the goal set in Barcelona in 2002 of spending 3% of GDP on R&D by 2010.

Parliament also emphasises that funding should be directed to those areas where the leverage effect is greatest, such as key enabling technologies and flagship initiatives for emerging and future technologies in order to generate added value for Europe and regrets that the synergies between the funding from the FP7, CIP and the Structural Funds are still not well known.

As far as the European Institute of Innovation and Technology is concerned, Parliament urges the Commission to draw up the budget of the EIT in such a way as to ensure that the funding allocated, together with funds from other sources, can achieve the critical mass necessary in order to meet and fully investigate the essential challenges facing EU societies.

It also proposes that the EU **ICT (information and communications technology) research budget be doubled in the next Financial Perspective**, emphasising that Europe should be at the cutting edge in the development of internet technologies and ICT low-carbon applications.

In its **RESOLUTION OF 11 NOVEMBER 2010** on the Commission's Communication on "**Simplifying the implementation of the Research Framework Programme**" Parliament believes that a **radical overhaul** of the administration of the FP is one of the highest priorities to be tackled in designing the forthcoming FP. Members consider that the revision of the Financial Regulation, the Staff Regulations and the implementation of a research-specific Tolerable Risk of Error (TRE) have a pivotal role in restructuring the research financing framework and in allowing further progress in **simplifying research funding**. In parallel, the Commission is invited to **assess the effectiveness of each individual instrument**, within each programme, towards the achievement of specific policy goals, and calls for a **reduction in the diversity of instruments** whenever effectiveness or distinctive contribution is not clearly demonstrated, whilst maintaining enough flexibility to accommodate projects' specificities.

Members support a science-based funding system. They believe that **FP8** should focus on frontier research while taking into consideration the **whole chain of innovation through frontier research, technological development, demonstration, dissemination, valorisation of results and rapid integration of research results into markets**.

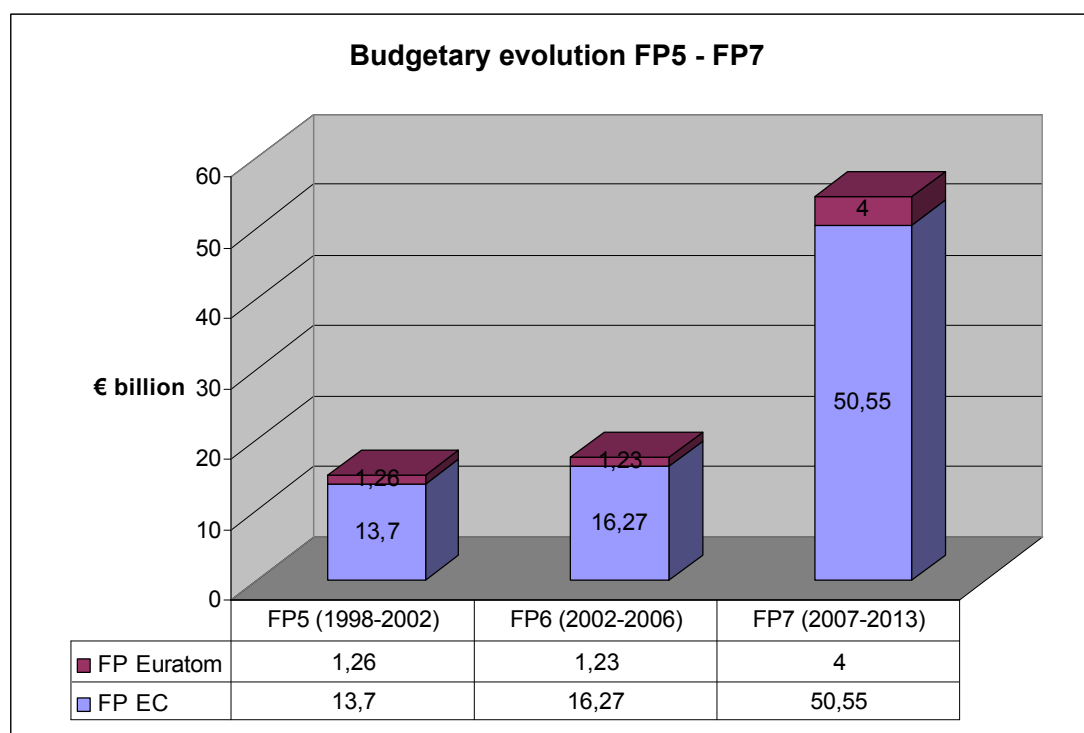
According to Members, the FP8 should encourage collaboration between European researchers by introducing a research **voucher scheme with money for research** following researchers who move to universities across the Member States, contributing to centres of excellence, independent universities and increased mobility among researchers.

Lastly, the resolution recommends **further internationalisation of FP8** through cooperation with third countries, including developing countries, providing them with simple and specific management rules.

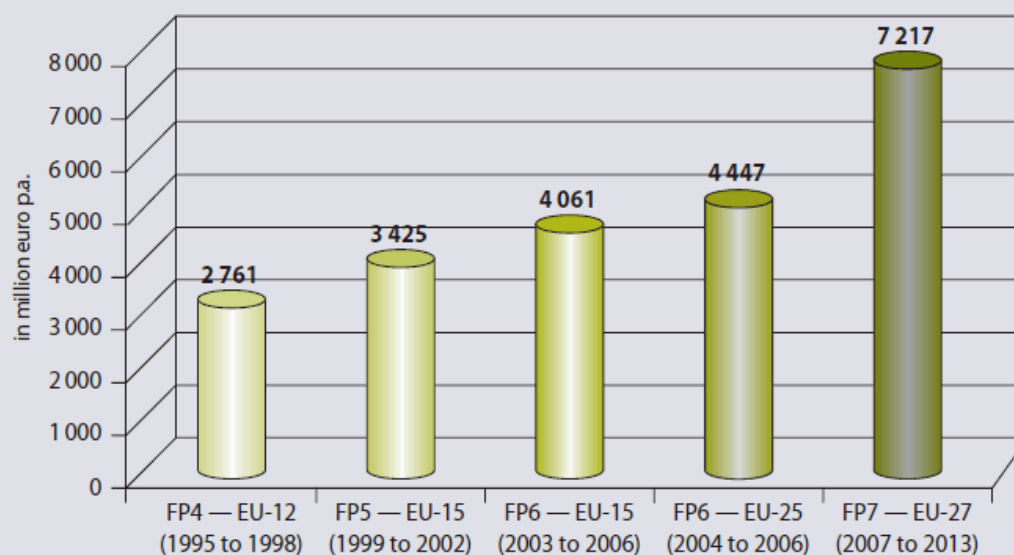
Annexes

ANNEX I

Budgetary evolution of Research Framework Programmes



AVERAGE ANNUAL RTD EXPENDITURE FROM THE COMMUNITY BUDGET (FP4 TO FP7)



Source: Legislative decisions for FP4 to FP7 (excludes Euratom).

source: Court of Auditors Special Report 8/2009 'Networks of Excellence' and 'Integrated Projects' in Community research policy: did they achieve their objectives?

<http://eca.europa.eu/portal/pls/portal/docs/1/3074294.PDF> (p.10)

ANNEX II

Seventh Research Framework Programme – expenditure 2007 - 2013

Heading	Commitment appropriations ¹³⁸ in € million							
	2007	2008	2009	2010	2011	2012	2013	Total
Direct actions								
<i>EC specific programme</i>								
Appropriations for staff and resources	196,183	203,481	207,714	218,882	227,001	235,416	244,114	1 532,791
Operating appropriations	28,847	29,425	30,000	30,613	31,226	31,849	32,898	214,858
<i>EC specific programme — Total</i>	225,030	232,906	237,714	249,495	258,227	267,265	277,012	1 747,649
<i>Euratom specific programme</i>								
Appropriations for staff and resources	87,624	90,822	92,326	97,568	100,937			469,277
Operating appropriations	8,818	8,994	8,200	9,358	9,544			44,914
<i>Euratom specific programme — Total</i>	96,442	99,816	100,526	106,926	110,481	114,543 ¹³⁹	118,673 ¹⁴⁰	514,191
Direct actions — Total	321,472	332,722	338,240	356,421	368,708	267,265	277,012	2 261,840
Indirect actions								
<i>EC specific programme</i>								
<i>Administrative appropriations</i>								
Specific programme 'Cooperation'	194,211	203,514	233,598	241,646	270,828	293,817	304,940	1 742,553
Specific programme 'Ideas'	39,479	30,703	29,744	39,258	36,565	47,374	48,059	271,182
Specific programme 'People'	24,217	23,830	22,450	27,232	26,996	34,337	37,851	196,913
Specific programme 'Capacities'	23,884	22,986	30,419	32,307	30,609	29,838	31,487	201,529
<i>Administrative appropriations — EC specific programme — Subtotal</i>	281,791	281,033	316,211	340,443	364,998	405,365	422,336	2 412,177
<i>Operational appropriations</i>								
Specific programme 'Cooperation'	3 476,434	3 613,837	3 770,544	4 087,509	4 595,041	5 213,900	5 946,154	30 703,419
Specific programme 'Ideas'	260,843	516,123	778,926	1 098,000	1 298,731	1 575,082	1 707,111	7 234,816
Specific programme 'People'	430,179	471,887	503,034	534,190	754,407	900,644	964,252	4 558,593
Specific programme 'Capacities'	407,730	478,490	546,164	623,301	683,898	549,692	608,152	3 897,427
<i>Operational appropriations — EC specific programme — Subtotal</i>	4 575,186	5 080,337	5 598,668	6 343,000	7 332,077	8 239,318	9 225,669	46 394,255
<i>EC specific programmes — Total</i>	4 856,977	5 361,370	5 914,879	6 683,443	7 697,075	8 644,683	9 648,005	48 806,432
<i>Euratom programme</i>								
Administrative appropriations	44,870	69,510	70,621	68,028	72,794			325,823
Operational appropriations	262,881	326,660	428,143	434,533	448,090			1 900,307
<i>Euratom programme — Total</i>	307,751	396,170	498,764	502,561	520,884	507,433 ¹⁴¹	519,621 ¹⁴²	2 226,130
Indirect actions — Total	5 164,728	5 757,540	6 413,643	7 186,004	8 217,959	8 644,683	9 648,005	51 032,562
Research — Grand total	5 486,200	6 090,262	6 751,883	7 542,425	8 586,667	8 911,948	9 925,017	53 294,402

¹³⁸ figures from draft Budget 2011;
the figures from the adopted Budget 2011 will be available by end of January 2011

¹³⁹ The amount is indicated only for information and it is not comprised in the total.

¹⁴⁰ The amount is indicated only for information and it is not comprised in the total.

¹⁴¹ The amount is indicated only for information and it is not comprised in the total.

¹⁴² The amount is indicated only for information and it is not comprised in the total.

ANNEX III: MFF summary by programmes related to research and innovation

(current prices in EUR million)

Heading	Type (*)	Period	Reference Amount (**)	Total Amount (***)	Final Budget			Budget	Draft ¹⁴³ Budget	Financial Programming	
					2007	2008	2009	2010	2011	2012	2013
HEADING 1A — COMPETITIVENESS FOR GROWTH AND EMPLOYMENT					8 849,931	10 537,979	13 253,882	14 355,176	12 990,165	13 693,522	14 844,429
Co-decided programmes					8 170,988	9 771,493	12 378,092	13 469,288	12 093,800	12 802,246	13 931,435
Seventh Framework Programme for research, technological development and demonstration activities	co	(07-13)	50 521,000	50 554,082	5 082,007	5 594,278	6 152,592	6 932,938	7 955,302	8 911,948	9 925,017
Competitiveness and Innovation Framework Programme (CIP)	co	(07-13)	3 621,300	3 624,434	387,685	412,446	509,326	525,708	548,644	593,710	646,915
European satellite navigation programmes (EGNOS and Galileo)	co	(07-13)	3 005,000	3 004,000		910,000	829,658	894,400	195,942	172,000	2,000
Trans-European transport network (TEN-T)	co	(07-13)	8 013,000	8 037,815	930,968	969,425	934,582	1 062,440	1 241,400	1 357,000	1 542,000
Trans-European energy networks (TEN-E)	co	(07-13)	155,000	163,480	22,032	23,500	26,738	21,460	24,750	22,000	23,000
Promoting safer use of the Internet and new online technologies (Safer Internet Plus)	co	(09-13)	55,000	55,000			10,930	11,070	15,000	11,000	7,000
Programme to make digital content in Europe more accessible, usable and exploitable (eContent Plus)	co	(06-08)	149,000	90,700	47,530	43,170					
European Institute of Innovation and Technology (EIT)	co	(08-13)	308,700	308,700		2,900	5,800	30,200	62,800	80,000	127,000
Action programme in the field of lifelong learning (LLL)	co	(07-13)	6 970,000	6 978,370	847,571	898,978	984,120	1 009,300	1 036,799	1 084,170	1 117,432
Council's decisions					678,943	766,486	875,790	885,887	896,365	891,276	912,994
Seventh Framework Programme for nuclear research and training activities (FP7 – Euratom)	dc	(07-11)	2 751,000	2 740,321	404,193	495,986	599,290	609,487	631,365		
Framework Programme for nuclear research and training activities (Euratom 2012)		(12-13)		1 260,270						621,976	638,294
Operation of the high-flux reactor (HFR)	pd	(09-11)									
Nuclear safety - Transitional measures (decommissioning Bohunice)	dc	(07-13)	423,000	423,000	57,000	58,000	59,000	60,000	62,000	62,000	65,000
Nuclear safety - Transitional measures (decommissioning Ignalina)	dc	(07-13)	837,000	839,000	113,000	114,000	119,000	120,000	121,000	125,000	127,000
Nuclear safety – Transitional measures (decommissioning Kozloduy)	dc	(10-13)	300,000	527,000	74,000	76,000	77,000	75,000	75,000	75,000	75,000
HEADING 1B — COHESION FOR GROWTH AND EMPLOYMENT					45 060,972	47 255,949	48 413,884	49 382,092	50 970,094	52 759,629	54 523,604
Co-decided programmes					45 060,972	47 255,949	48 413,884	49 382,092	50 970,094	52 759,629	54 523,604
Total Structural Funds	co	(07-13)		278 256,287	37 941,406	39 100,897	39 117,250	39 191,847	39 891,498	40 904,978	42 108,412
Total Cohesion Funds7	co	(07-13)		70 109,936	7 119,566	8 155,052	9 296,634	10 190,245	11 078,596	11 854,650	12 415,192
(1) For heading 1b, some 2007, 2008 and 2009 budget figures have been adjusted in order to take into account reprogramming according to point 48 of the inter-Institutional Agreement.											
(*) Legend for type of legal basis: co = codecision, dc = decision, pc = proposal codecision, pd = proposal decision											
(**) For co-decided programmes, this corresponds to the reference amount in the legal basis; for non-co-decided basic acts, this corresponds to the amount in the financial statement.											
(**) The total amount only takes into consideration the period covered by the programme in question.											

¹⁴³ figures from adopted budget will be available by end of January 2011

ANNEX IV: List of evaluation documents on FP7 (with hyperlinks to the documents):

Document	Date	Description
FP7 Interim Evaluation	November 2010	This interim evaluation of FP7 has been carried out by an independent Expert Group, chaired by Rolf Annerberg, Sweden. Key strengths of the current Framework Programme, areas in need of improvement, new concerns and dilemmas and directions for reform have been summarised. The panel also presents ten key recommendations, including the following issues: 1. to advance (European Research Area) ERA and Innovation Union objectives, 2. to develop high quality research infrastructures, 3. to maintain the level of funding, 4. to encourage the participation of a broad spectrum of enterprises, 5. to implement simplification measures & a more trust-based approach, 6. more open calls for the Cooperation SP, 7. a moratorium on new instruments, 8. to increase female participation, 9. to increase participation of underrepresented Member States, 10. to integrate the international perspective into all programmes & instruments
Third FP7 Monitoring Report	July 2010	The third FP7 Monitoring Report covers the implementation of the Framework Programme in the years 2007-2009. It is based on the FP7 monitoring system, which was designed as an internal management tool using a core set of performance indicators.
EP study on Financial Rules in the Research Framework Programmes - Streamlining rules for participation in EU research Programmes	May 2010	The study provides an overview of the financial rules applicable to EU research framework programmes (FP6 and FP7) in order to identify areas of complexity both in the legal framework and in the way the rules are implemented. Its key findings and recommendations include the following: <ul style="list-style-type: none"> • rules should be communicated at the time the calls for proposals are published; • consistency of interpretation of the rules to be ensured by various means suggested in the study; • a communication process ensuring consistent and reliable answers to beneficiaries; • the flat rate percentages should be better adapted to the specific categories of beneficiaries (SMEs, universities, NGOs, etc.); • the simplification process should result in a substantial reform of the financial rules applicable to research framework programmes, decided after consultation with all parties involved (beneficiaries and their representatives, DGs involved in FPs, DG BUDG, external auditors and the Court of Auditors); • the evolution of the rules should be smooth, so that the simplification process itself does not create an unnecessary burden.
Commission's Communication: Simplifying the Implementation of the Research Framework Programmes	April 2010	This Communication presents measures and options for simplifying EU research funding, for assuring that EU research funding promotes the highest quality research. The Commission will soon present a proposal on the triennial review of the Financial Regulation, transforming some of the simplification ideas put forward in this Communication into legal proposals.

Commission's Progress report made under the Seventh European Framework Programme for Research	April 2009	This report assesses progress in implementing FP7 and what remains to be done to fully reach its original objectives. It fulfils a legal obligation of the EC FP7 Decision and provides a basis for the 2010 Interim Evaluation of the programme. The accompanying Commission Staff Working Document provides more details on the topics covered.
Ex Post Evaluation of the Sixth Framework Programme	February 2009	<p>In 2008, the Commission appointed an Expert Group to undertake an evidence-based, ex-post evaluation of FP6. This final report is the result of the experts work. In addition to analysing and drawing conclusions from the past, the expert group makes recommendations and formulates a vision for new dimensions of European RTD policy.</p> <p>The reports "Information Society Research and Innovation: Delivering results with sustained impact Evaluation of the effectiveness of Information Society Research in the 6th Framework Programme 2003-2006", "Joint Research Centre Direct Actions in the 6th Framework Programmes 2002-2006" and "European Added Value of Community Research Activities" are parts of this ex post-evaluation exercise.</p> <p>On 30 April 2009 the European Commission published its response. The aim of this Communication is to respond to the issues raised in the ex-post evaluation of the 6th Framework Programme in an open and transparent manner, outlining which actions the Commission intends to take or has already taken to alleviate the problem, but also discussing issues where no obvious or immediate solution exists.</p>
Court of Auditors' Special Report No 8/2009	2009	<p>the Court of Auditors' Special Report on "Networks of Excellence (NoEs) and Integrated Projects (IP) in Community Research Policy: Did they achieve their objectives?" concerns mainly FP6.</p> <p>However, the recommendation <i>"In view of improving in particular the manageability of projects, their adequate implementation and appropriate evaluation, the Commission should ensure clear and timely guidance, a speedier contracting process and better project monitoring."</i> is still of relevance.</p>



External Policies

European External Action Service: Exchange of views with
David O'Sullivan, Chief Operating Officer of the EEAS

Development and External relations: Exchange of views with
Andris Piebalgs, Commissioner for Development

**SURE Committee Meeting
1 February 2011
Brussels**

In the presence of Andris Piebalgs, Commissioner for Development

Questions by the rapporteur

A. POLICY CHALLENGES

Which priorities for the EU external action after 2013?

In the field of external relations, the Lisbon Treaty came up with a host of new orientations in order to enhance the EU's external image, efficiency and credibility. The adoption of the new MFF and the subsequent revision of EU external aid instruments is an important opportunity to set clear priorities for the EU, taking into account the new institutional, political and economic developments (such as the Lisbon Treaty, the financial crisis, global challenges, emerging powers, etc).

What should be the main priorities of the EU post 2013 in external action? Can traditional EU external policies (poverty alleviation, European Neighbourhood Policy, Human Rights,...) be efficiently streamlined in a way to cope both with the EU's interests and our partners' needs? How can we ensure strong and unswerving political direction so that decisions would lead to rapid implementation?

Role of the EEAS

Experience from the past MFF proves that coordination between the various instruments (in different categories and sub-headings) could be improved. The EEAS will be associated with the programming of all EU external action instruments, while the implementation will remain with the Commission services. In the course of the debate on the establishment of the EEAS, it was argued that the new structure should also create tangible savings, because many of the current diplomatic services representing the 27 Member States will be replaced.

How can stronger "programming" and strategic guidance from EEAS be guaranteed for all instruments to ensure that they serve the EU's political priorities for external relations? What mechanisms can be foreseen for optimum coordination between the EEAS and Commission services: DG DEVCO, which is responsible for the implementation of the EU external aid, as well as DG Enlargement, for the ENP? By when can the expected savings related to the EEAS be achieved?

Relations with EU partners

Pre-accession and neighbourhood policies

The EU is directly responsible for its sphere of influence. The Pre-accession and Neighbourhood policies will continue to feature as priorities in the Union's external agenda: in Western Balkans, the East (with the Eastern partnership) and South the challenges are major (good governance, human rights) and expectations are high. On a separate issue, many countries like Ukraine and Turkey will not be considered developing countries by 2020.

How to match financial resources with political commitments? Is the current mix of aid and other tools (political dialogues, agreements, etc) adequate for the pre-accession and neighbourhood policies?

Middle Income Countries

The status of Middle Income Countries (including Brazil, Russia, India, China and South Africa often referred to as BRICS) has changed dramatically in recent years. Whereas they are important EU trading partners, as well as strategic partners and competing donors, they are also EU development aid recipients.

The Commission has recently proposed to extend the geographic coverage of the ICI regulation to DCI countries, creating the so-called ICI+, in order to include non-ODA activities for strategic partners.

How to ensure that the EU's external spending better reflects the new economic reality of middle income countries? What should be the main elements of a differentiated approach and what financial instruments would be needed?

Crisis management and prevention

The current Instrument for Stability has been used extensively in the current MFF and is certainly a valid tool. Too much emphasis is however often being placed on ad-hoc, short-term measures rather than prevention and longer-term measures.

To what extent could the IfS be used to ensure better investment in longer term, preventive measures? How to ensure that the geographic programmes, covering specific regions are more responsive, therefore relieving somewhat the pressure to use the IfS?

Dealing with the external dimension of EU internal policies.

Different EU policies, such as energy, migration as well as climate change, are increasingly becoming part of the EU's external action.

How to integrate financing of these priorities into the future MFF? Should these issues be addressed through creating specific instruments or mainstreamed in geographic instruments? Should the external dimension of internal policies be budgeted under the external policies heading?

B. RESOURCES

Budgetary resources

During the current 2007-2013 MFF, EP has repeatedly voiced its concerns at the chronic under-financing of the "Global Europe" Heading. At the same time, the future MFF will have to include new political and economic developments as well as commitments.

What should be the size of the budget for the future external expenditure heading? Should the relative size be increased? Can new priorities and commitments be tackled only by off-setting under this Heading?

New sources of financing

In recent years, a number of loan-grant blending mechanisms have been established in cooperation with financial institutions (i.e EIB and EBRD), providing alternative ways of funding to EU partners and leveraging EU's external financing.

What are the advantages and disadvantages of such innovative financing instruments within the external policy heading? Is it possible to rely more importantly on alternative sources of financing?

Budgetising the EDF

Budgetising the EDF was repeatedly called for by the European Parliament in the past, on the grounds that it would make EU development policy more consistent, effective visible, and provide democratic scrutiny. The risk to be avoided, as underlined systematically by the EP, and all the more so with the current difficult budgetary situation, is the reduction of the overall external relations budget as a result of the integration of the EDF in the EU budget.

Is budgetising the EDF still a realistic option in the wake of the financial crisis? In such scenario, can the EDF's increased flexibility be extended to the other EU instruments?

C. FLEXIBILITY AND IMPLEMENTATION

Flexibility

The flexibility problems experienced in the current MFF have been particularly acute under Heading 4, due to the unpredictable nature of international action combined with its chronic under-financing.

What is the best manner to ensure greater budget flexibility under the future external expenditure heading? To what extent can increased flexibility allow for more effective conditionality in the allocation of funds?

Quality, efficiency, timeliness

Speed of implementation is a notorious problem of the EU external assistance. In many notable cases, given the existing procedures for adoption of the decision, procurement and contracting, the EU intervention led to egregious situations whereby it was tackling problems that were acute two or three years previously.

What is the best manner to achieve the simplification and acceleration of procurement procedures and disbursement mechanisms? Can the notion of a fast track approach (adoption, tendering, implementation) be considered, especially for crisis management? Should ODA obey under the same rules of humanitarian assistance?

FACTUAL BACKGROUND NOTE

on

EXTERNAL AFFAIRS

for the meeting of the

**Special committee on the policy challenges and
budgetary resources for a sustainable European Union
after 2013**

1 February 2011

27 January 2011

EN

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EuropeAid/DevCo's External Assistance by Geographic and Thematic Instruments

EXTERNAL AFFAIRS

Part I: General Guidelines and Reflections

General Provisions on the Union's External Action according to the Treaty on European Union

Chapter 1 of Title V of the TEU describes the General Provisions on the Union's External Action. These in turn are summarised in the first sub-paragraph of article 21(1) TEU:¹⁴⁴

Article 21 TEU

1. The Union's action on the international scene shall be guided by the principles which have inspired its own creation, development and enlargement, and which it seeks to advance in the wider world: **democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law.**

The Treaty on European Union does not address a concept of European added value for justifying any European action, but it puts forward repeatedly the common values mentioned in article 21 TEU as driving force for the Unions actions.

What the TEU requires from the Union's External Action then in detail in the following paragraphs of article 21 TEU has equally binding constitutive character:

(Article 21 TUE continued:)

The Union shall seek to develop relations and build partnerships with third countries, and international, regional or global organisations which share the principles referred to in the first subparagraph. It shall promote multilateral solutions to common problems, in particular in the framework of the United Nations.

2. The Union shall define and pursue common policies and actions, and shall work for a high degree of cooperation in all fields of international relations, in order to:

(a) safeguard its values, fundamental interests, security, independence and integrity;

(b) consolidate and support democracy, the rule of law, human rights and the principles of international law;

(c) preserve peace, prevent conflicts and strengthen international security, in accordance with the purposes and principles of the United Nations Charter, with the principles of the Helsinki Final Act and with the aims of the Charter of Paris, including those relating to external borders;

¹⁴⁴ consolidated version 2010; highlighting by author)

(d) foster the sustainable economic, social and environmental development of developing countries, with the primary aim of eradicating poverty;

(e) encourage the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade;

(f) help develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development;

(g) assist populations, countries and regions confronting natural or man-made disasters; and

(h) promote an international system based on stronger multilateral cooperation and good global governance.

3. The Union shall respect the principles and pursue the objectives set out in paragraphs 1 and 2 in the development and implementation of the different areas of the Union's external action covered by this Title and by Part Five of the Treaty on the Functioning of the European Union, and of the external aspects of its other policies.

The Union shall ensure **consistency between the different areas of its external action and between these and its other policies**. The Council and the Commission, assisted by the High Representative of the Union for Foreign Affairs and Security Policy, shall ensure that consistency and shall cooperate to that effect.

The European External Action Service

The creation of the **European External Action Service** (EEAS) is one of the most significant changes introduced by the Treaty of Lisbon, which entered into force on 1 December 2009. It aims at making the EU's external action more coherent and efficient, thereby increasing the European Union's influence in the world.

The EEAS assists Catherine Ashton, High Representative of the Union for Foreign Affairs and Security Policy, to fulfill her mandate. It works in cooperation with the diplomatic services of the Member States and comprises officials from the relevant departments of the General Secretariat of the Council of the European Union and of the European Commission, as well as staff seconded from the national diplomatic services of the Member States.

The EEAS builds upon the network of 130 European Commission [Delegations and Offices](#) around the World.¹⁴⁵

The EU Budget 2011 contains a new section, i.e. SECTION X - EUROPEAN EXTERNAL ACTION SERVICE.

It endows the EEAS with a budget of **€464 million**, of which

€140 million are for staff at headquarters,

€ 44 million for buildings and other expenditure at headquarters and

€280 million for the Delegations (staff, buildings and other cost).

The following page shows how the EEAS perceives and presents its role, with concrete examples:¹⁴⁶

¹⁴⁵ source: http://eeas.europa.eu/delegations/index_en.htm

¹⁴⁶ http://www.eeas.europa.eu/what_we_do/index_en.htm

What we do¹⁴⁷

The EU maintains diplomatic relations with nearly all countries in the world. It has strategic partnerships with key international players, is deeply engaged with emerging powers around the globe, and has signed bilateral Association Agreements with a number of states in its vicinity. Abroad, the Union is represented by a network of 136 EU Delegations, which have a similar function to those of an embassy.

Below are 10 examples, which illustrate what the Union does around the world, in order to defend Europe's interests and promote its values.

1. The Union is supporting stability in the **Balkans**. Assistance projects in seven countries receive EU funding, helping build stable societies. In Kosovo [1](#), the EU has deployed a 1900-strong justice and police force to help secure the rule of law. Countries in the Western Balkans are already candidates or potential candidates for membership of the EU as part of its **enlargement** policy.
2. The Union is member of the Quartet, alongside the United Nations, the United States and Russia, which is working to push for peace in [the Middle East](#). Resolution of the Arab-Israeli conflict is a strategic priority for Europe. The EU's objective is a two-state solution with an independent, democratic, viable [Palestinian state](#), living side-by-side with [Israel](#), and its other neighbours
3. The Union is offering its neighbours a privileged relationship within the [European Neighbourhood Policy](#). The policy is designed to strengthen the prosperity, security and stability of all partners and to avoid the emergence of new dividing lines between the enlarged EU and countries of the southern Mediterranean, Eastern Europe and the southern Caucasus.
4. The Union was instrumental in negotiating the Kyoto Protocol on [climate change](#) and, boasting a domestic low-carbon agenda that is probably the most advanced and sophisticated in the world, remains a crucial player on this issue, indispensable for pushing an ambitious agenda of change. The Union is focusing on building a coalition for a legally binding agreement on climate change.
5. The Union works closely with the [United Nations](#) on a host of issues. The Union's belief in multilateralism reflects an attachment to negotiated, binding rules in international relations, and is explicitly spelled out in the [Treaty of Lisbon](#). Wherever possible, the Union seeks to replace or moderate power politics by rules and norms, hence making international relations more similar to the domestic order: more peaceful and predictable.
6. The Union runs military, political or civilian [missions](#) to help **build and secure the peace** in a number of countries in Europe, Africa and beyond, such as in [Afghanistan](#).
7. The Union is committed to [human rights](#), and works to ensure they are respected universally. The EU has made human rights a central aspect of its external relations: in the [political dialogues](#), it holds with third countries;

¹⁴⁷ from EEAS web site, http://www.eeas.europa.eu/what_we_do/index_en.htm (26.1.2011)

through its [development policy](#) and assistance; or through [its action in multilateral fora](#), such as the United Nations.

8. The Union acts as single player in [foreign trade](#) and supports the principles of free and fair international trade. As it negotiates with one voice, it can exercise real influence. Together, the European Union's 27 members account for 19% of world imports and exports. Since its technical norms are widely used throughout the world, it often sets the terms of the debate.
9. The Union supports the **social and economic development of its partners**, and stands ready to help when they are faced with disaster. Together, the EU and its Member States are the world's largest donor of development and humanitarian aid. Their contributions account for 60% of the world's official development assistance.
10. The Union is facing up to the challenges of managing global [international economic and financial issues](#), for instance in the context of the G-20. It contributes to the ongoing effort to reform international financial institutions, such as the World Bank and IMF and to re-regulating the international financial sector. The common currency, the euro, bestows additional influence upon the [euro area](#) and the [European Central Bank](#).

The need for coherence of EU policies

The mandate of article 21 TEU, mentioned above is clear: it requests that the EU's internal values like democracy and the rule of law, Human Rights and fundamental freedoms, are pursued also by its external policies. Therefore it is necessary that all external policies are regularly scrutinised whether they are coherent

- within themselves,
- between themselves,
- between themselves and the internal policies.

Coherence means that any action within a policy is not putting harm to these values in another domain. This is not always possible and then the harm in respect to these values must be diligently pondered against the benefits of the action, and considering justice.

Coherence is not only about avoiding conflicts of values but also about seeking positive complementarity of different policy actions.

For example there could be incompatibility of policy strategies pursued and in respect to the fundamental values of the Union, but also complementarity in the following areas:

- migration policies and Frontex actions - Human Rights, position towards asylum seekers (JHA) - development policies;
- export of agricultural products at reduced prices - development, in particular pursuit of the Millennium Development Goals (MDGs);
- Lisbon agenda in view of competitiveness and growth / deficient integration of migrants / brain drain
- civil and military actions - migration - internal security
- climate change - migration

The different instruments of EU External Action will need to be further developed - and often also simplified, and wisely evaluated against the needs and "side-effects" in other domains, with the help of democratic control, i.e. primarily from Parliament.

European Parliament's position

The European Parliament adopted e.a. the following resolutions with important messages to be taken into account for the post-2013 guidelines:

European Parliament resolution of 16 June 2010 on EU 2020:

External action by the European Union

64. Stresses that more attention should be paid to the external dimension of the EU 2020 strategy; urges the Commission to take a broader and more comprehensive approach in its external action, in line with the EU concept of policy coherence for development; calls on the Commission to use its trade strategy for EU 2020 to promote the Union's core values, such as the promotion of human rights, democracy, the rule of law and fundamental freedoms and the defence of the environment;

and, more in detail :

European Parliament resolution of 15 June 2010 on the mandate for the trilogue on the 2011 draft budget

Heading 4

60. Recalls, once again, the very tight margins available under heading 4, which do not allow the EU to react adequately to recurring and emerging crises and emergencies; points out that the increasing and unbearable discrepancy between this underfinanced heading and the Council's new political commitments on the world stage can only be addressed by a revision of the ceiling under the existing MFF;

61. Welcomes the proposed increase in appropriations for ENP South and ENP East, and more specifically for the Eastern partnership dimension of the latter; takes good note of the proposed emptying of the budget line dedicated to the EU Baltic Sea Strategy, but deplores that an equivalent amount is not dedicated to this strategy under ENP East;

62. Calls on the Commission, with a view to fulfilling the objectives and securing effective implementation of the Eastern Partnership, to ensure that extra financial assistance is provided for the new ENPI Multi-Annual Indicative Programmes and National Indicative Programmes for the period 2011-2013 covering Eastern Partnership countries;

63. Is extremely worried by the proposed decrease of more than 32% in CA for financial assistance to Palestine, the peace process and UNRWA, bearing in mind the recurring need for extra funds; considers that the Commission's statement on 'the exceptionally high allocations of previous years [that] cannot be maintained without jeopardising the funding for other countries in the region' reinforces the urgent need for a substantial revision of financing capacities under heading 4, and should not lead to a decrease in financial assistance which is vital for the Palestinian people, the Palestinian Authority,

and UNRWA; reiterates its support for the Palestinian Authority in stepping up its institutional capacities; points out that, even if the EU were to be ready to extend its package of assistance to the Palestinians, this commitment is not open-ended, and insists that, while humanitarian aid must remain unconditional, the EU must play a political role which delivers tangible results in terms of progress towards the creation of a Palestinian state which are consistent with its significant financial assistance and economic influence in the region;

64. Points out, in that respect, that even the use of the entire margin of heading 4 exclusively for financial assistance to Palestine would not suffice to reach the 2010 level of CA (EUR 295 million in 2010, as compared to a hypothetical EUR 270 million in 2011);

65. Takes note of the **substantial increase in appropriations (13.2%) to cover the enlargement process**, in which further progress is expected in 2011 (ongoing and potential negotiations with Croatia, Iceland, FYROM, Turkey and Western Balkans);

66. Considers the proposed increase for DCI to be appropriate, but deplores the misleading presentation by the Commission, which flags up an increase of EUR 65 million for the environment and sustainable management of natural resources as a follow-up to the Copenhagen Accord, whereas that increase is based on the financial programming and not on the 2010 budget (the 2011 DB in fact provides for a decrease of EUR 1.2 million against this line, as compared to the 2010 budget), which is a source of concern); insists that the 'fast start' climate finance package must be additional and not come at the expense of existing development cooperation programmes; expresses concern regarding the coherence and visibility of the EU 'fast start' finance contribution, and calls on the Member States to make information available to the Commission promptly so as to ensure the full transparency and additionality of the EU contribution;

67. **Stresses the need to increase the Community budget covering measures designed to address migration phenomena, with a view to improving the management of legal migration, slowing down illegal migration and optimising the impact of migration on development;**

68. Recalls its support for the principle of financial assistance for the main ACP banana supplying countries, but reiterates its firm opposition to the financing of Banana Accompanying Measures via the use of the margin; recalls that the limited margin under the heading does not allow the financing of such measures, which were not provided for when the MFF was adopted in 2006; is also firmly opposed to any redeployment from existing instruments within heading 4 that would jeopardise existing priorities; is therefore opposed to the proposal in the draft budget to redeploy for this purpose EUR 13 million from the Development Cooperation Instrument and EUR 5 million from the Civil Protection Financial Instrument;

69. Welcomes the proposal to amend the regulation creating an instrument for industrialised countries (ICI+), but is firmly opposed to its being financed from appropriations programmed for use under the Development Cooperation Instrument; stresses that funds earmarked for development cooperation must target poverty alleviation; is extremely dissatisfied that of the total of EUR 70.6 million in appropriations earmarked for this new instrument in the draft budget, EUR 45 million have been taken from the Development Cooperation Instrument;

70. *Reiterates its intention to provide the European External Action Service with the necessary administrative means to fulfil its mission; stresses, however, that the allocation of new resources for the inclusion of personnel originating in the diplomatic services of the Member States and the cost of the necessary infrastructure should be linked to an appropriate increase in the EU budget for external action;*

71. Welcomes the increase in appropriations for the CFSP to EUR 327.4 million (CA), as provided for in the financial programming and in line with the ever more ambitious role the EU wishes to play in zones undergoing a stabilisation process or affected by conflicts and crises; takes note of the emptying of the budget line for EU Special Representatives, as provided for in connection with the setting up of the EEAS, and recalls that the specific provisions regarding the CFSP in the IIA will have to be substantially rethought in the framework of the negotiations on a revised IIA and of the adoption of a proposal on the EEAS;

72. Takes note of the proposed increase in the draft budget for 2011, as compared to the budget for 2010, against the macro-financial assistance budget line (01 03 02); recalls that the mobilisation of this instrument for each third country falls under the ordinary legislative procedure and requests the Commission to provide further explanations on its proposed increase;

73. Welcomes the setting up of a preparatory action on a European Voluntary Humanitarian Aid Corps, stemming from the entry into force of the TFEU (Article 214), and in line with the European year for Volunteering in 2011;

Part II: The Instruments of EU External Action and their budgets

Overview¹⁴⁸ by the Heading 4 Budget Titles 19, 20, 21, 22, 23 and the issue of flexibility

Commitment appropriations for Budget titles 19 - 23 – years 2007-2011, figures in EUR million

Commitments (in EUR million)		2007					2008				
Title	Policy Area	Budget Appropriations		Implementation			Budget Appropriations		Implementation		
		Adopted	Final	Amount	as % of adopted	as % of final	Adopted	Final	Amount	as % of adopted	as % of final
19	External Relations	3.378,11	3.808,06	3.743,06	110,80%	98,29%	3.919,36	4.076,31	4.045,23	103,21%	99,24%
20	Trade	71,48	71,73	70,46	98,57%	98,24%	78,21	77,69	74,72	95,54%	96,17%
21	Development and relations with ACP states	1.216,50	1.240,43	1.211,63	99,60%	97,68%	1.317,13	1.598,35	1.329,71	100,96%	83,19%
22	Enlargement	1.051,55	1.045,75	1.029,36	97,89%	98,43%	1.093,33	1.135,33	1.122,99	102,71%	98,91%
23	Humanitarian Aid	749,65	749,74	749,22	99,94%	99,93%	770,19	950,26	949,61	123,30%	99,93%

Commitments (in EUR million)		2009					2010				
Title	Policy Area	Budget Appropriations		Implementation			Budget Appropriations		Implementation		
		Adopted	Final	Amount	as % of adopted	as % of final	Adopted	Final	Amount	as % of adopted	as % of final
19	External Relations	4.012,93	4.060,19	4.051,79	100,97%	99,79%	4.209,07	4.329,06	4.292,78	101,99%	99,16%
20	Trade	79,52	78,37	76,46	96,15%	97,56%	78,92	77,89	76,78	97,29%	98,58%
21	Development and relations with ACP states	1.869,36	2.252,10	2.247,09	120,21%	99,78%	1.646,41	1.597,84	1.590,56	96,61%	99,54%
22	Enlargement	1.079,09	1.086,57	1.084,37	100,49%	99,80%	1.022,36	1.016,85	1.015,24	99,30%	99,84%
23	Humanitarian Aid	796,72	906,79	905,90	113,70%	99,90%	820,36	1.064,92	1.055,27	128,63%	99,09%

Commitments (in EUR million)		2011
Title	Policy Area	Adopted Budget
19	External Relations	4.270,67
20	Trade	105,07
21	Development and relations with ACP states	1.433,11
22	Enlargement	1.123,36
23	Humanitarian Aid	878,20

By comparing the adopted and final amounts as well as the implementation, remarkable gaps and fluctuations are noticed.

In many cases the adopted budget had to be increased during the year.

This is made more visible by the charts on the following page.

The gaps were even bigger than these figures show as already the initial, adopted budgets of 2007, 2008, 2009 were based on a significant use of the Flexibility Instruments^{149 150}.

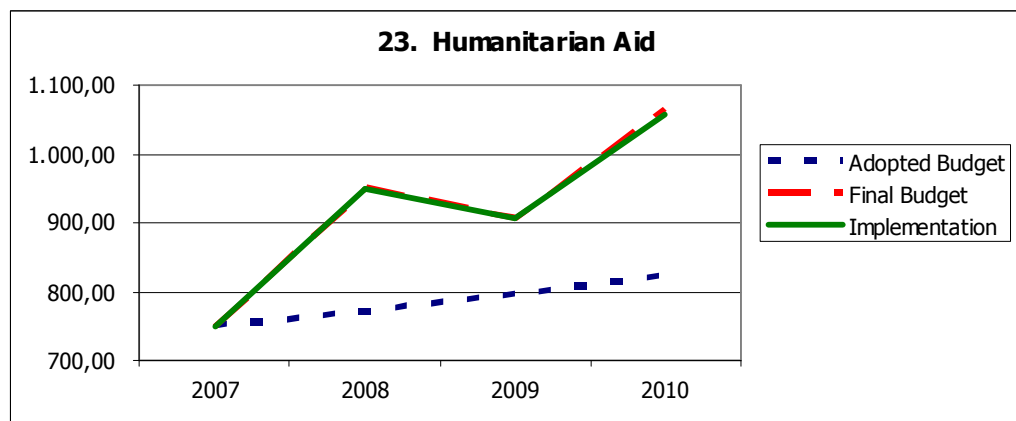
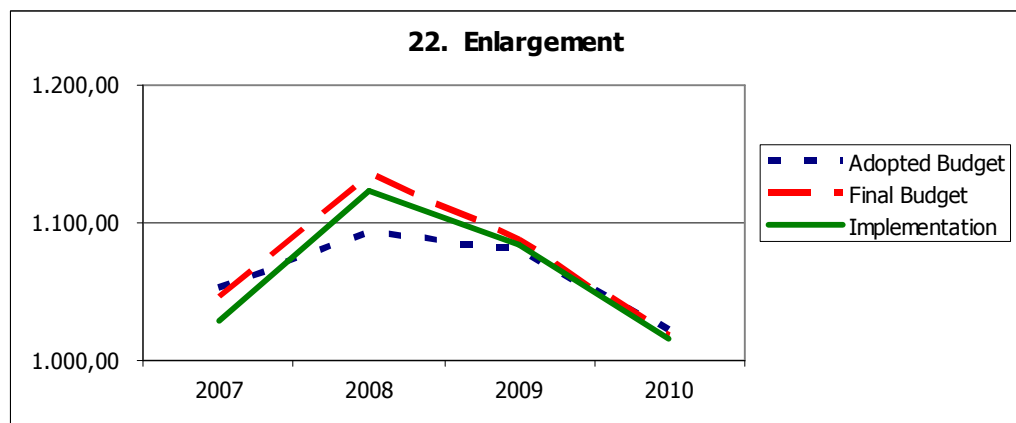
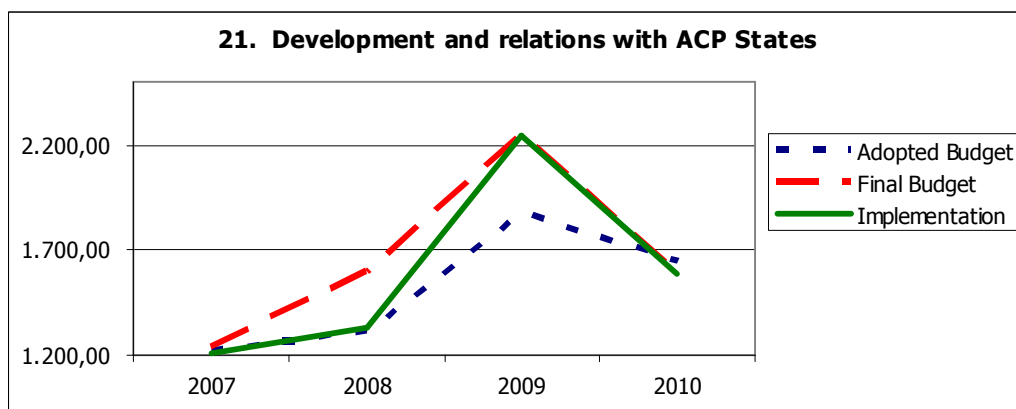
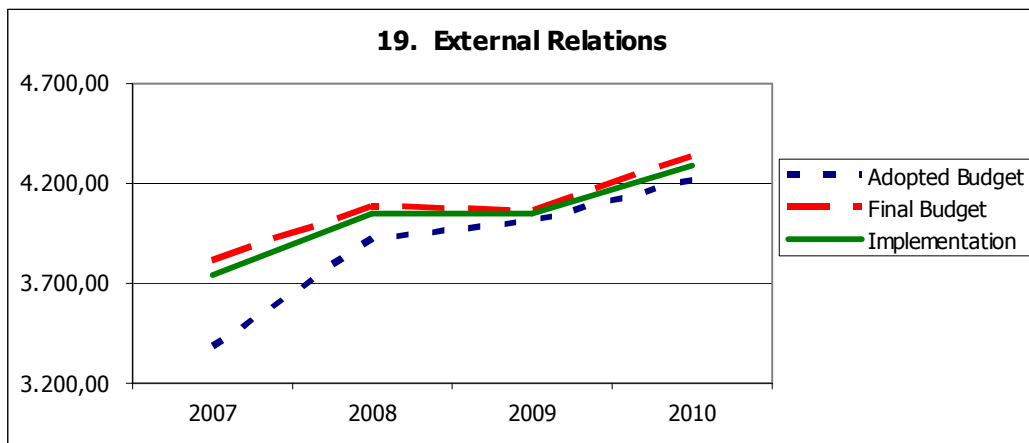
This shows a clear need for flexibility in managing the budget dedicated to external policies

¹⁴⁸ the European Development Fund **EDF**, not integrated in the EU Budget, adds about € 3700 million per year

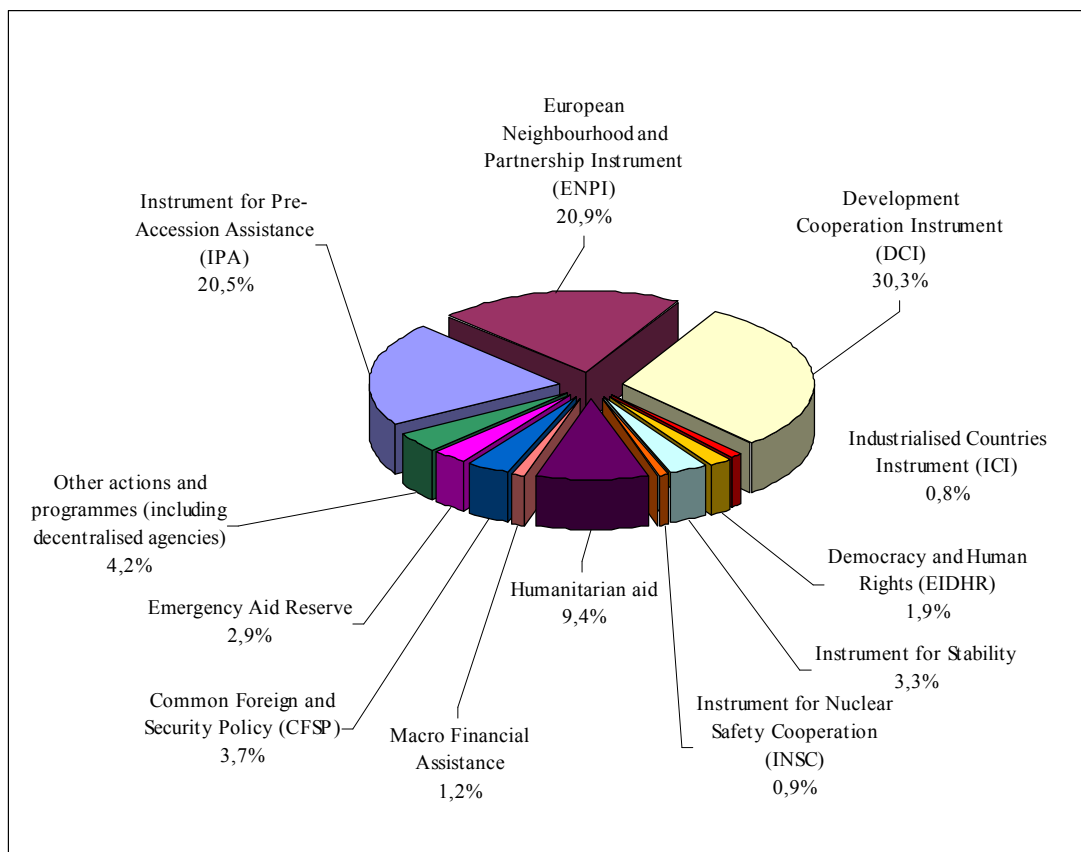
¹⁴⁹ e.g. December 2007 adding €70million for CFSP, December 2008 €420million for Food Facility by mobilisation of the Flexibility Instrument













¹⁵⁰ the Emergency Aid Reserve (EAR) was used to increase the allocations to external policies: 2007 by €49million, 2008 by €421,5 million, 2009 by €188million, 2010 by €232 million.

Evolution 2007 - 2010 of adopted, final, implemented budget by budget titles, in €
million



Heading 4 of EU Budget 2011: the EU as a global player



Heading 4: EU as a global player (commitment appropriations)		Budget 2011	
		EUR	%
	Instrument for Pre-Accession Assistance (IPA)	1 796 793 000	20,50
	European Neighbourhood and Partnership Instrument (ENPI)	1 830 526 000	20,90
	Development Cooperation Instrument (DCI)	2 648 262 240	30,30
	Industrialised Countries Instrument (ICI)	70 640 000	0,80
	Democracy and Human Rights (EIDHR)	166 983 000	1,90
	Instrument for Stability	290 188 000	3,30
	Instrument for Nuclear Safety Cooperation (INSC)	75 813 000	0,90
	Humanitarian Aid	824 693 000	9,40
	Macro Financial Assistance	104 868 567	1,20
	Common Foreign and Security Policy (CFSP)	327 374 000	3,70
	Emergency Aid Reserve	253 860 000	2,90
	Other actions and programmes (including decentralised agencies)	364 298 570	4,20
Total		8 754 299 377	100,0 %

Please note that the EU Budget until now does not integrate the European Development Fund **EDF** with about €3,7 billion per year

Overview by Multiannual Programmes¹⁵¹

Heading 4 Multiannual Programmes: annual as well as total amounts

(current prices in EUR million)

Heading 4 Multiannual Programmes	Type	Period	Reference Amount	Total Amount	Final Budget			Budget	Draft Budget ¹⁵²	Financial Programming	
	(*)		(**)		2007	2008	2009	2010	2011	2012	2013
HEADING 4 — EUROPEAN UNION AS A GLOBAL PLAYER					6 466,146	7 378,753	7 880,370	7 753,954	8 178,323	8 710,464	9 290,837
<i>(without Emergency Aid Reserve)</i>											
Co-decided programmes (without Emergency Aid Reserve)					4 843,701	5 184,431	5 229,281	5 409,217	5 666,282	5 950,588	6 384,677
European Neighbourhood and Partnership Instrument (ENPI)	co	(07-13)	11 181,000	12 356,475	1 653,020	1 675,319	1 616,938	1 675,359	1 729,526	1 917,051	2 089,263
Development Cooperation Instrument (DCI)	co	(07-13)	16 897,000	17 297,930	2 178,876	2 249,534	2 381,629	2 515,083	2 613,762	2 604,885	2 754,161
European Instrument for Democracy and Human Rights (EIDHR)	co	(07-13)	1 104,000	1 116,872	140,591	147,211	157,361	164,198	163,113	168,719	175,679
Instrument for Stability (IfS)	co	(07-13)	2 062,000	1 820,351	139,054	181,096	186,303	219,559	290,188	362,334	441,817
Humanitarian Aid	co	(07-13)	5 614,000	5 900,549	732,160	931,271	887,051	800,518	824,693	849,599	875,257
Cooperation with industrialised and other high-income countries and territories (ICI+)	pc	(10-13)		176,000				34,500	45,000	48,000	48,500
Council's decisions					1 622,445	2 194,322	2 651,089	2 344,737	2 512,041	2 759,876	2 906,160
Instrument for Pre-Accession Assistance (IPA)	dc	(07-13)	11 468,000	11 621,967	1 263,090	1 497,233	1 518,103	1 587,100	1 796,793	1 935,722	2 023,926
Instrument for Nuclear Safety Cooperation	dc	(07-13)	524,000	519,008	70,040	72,523	73,973	70,453	75,813	77,330	78,876
Macro Financial Assistance	dc	(07-13)	753,000	633,115	58,201	19,000	81,600	98,985	114,869	123,024	137,436
Common Foreign and Security Policy	dc	(07-13)	1 980,000	2 065,881	159,270	285,250	242,900	281,541	327,374	363,214	406,332
Guarantee Fund for external actions	dc	(07-13)	1 400,000	743,150	18,000		92,460	93,810	138,880	200,000	200,000
Cooperation with industrialised and other high-income countries and territories (ICI)	dc	(07-13)	172,000	181,303	22,200	28,055	29,306	24,094	25,640	27,295	24,713
Civil Protection Financial Instrument	dc	(07-13)	56,000	32,314	5,114	3,200	3,000	8,000	4,000	4,000	5,000
Cooperation with Greenland	dc	07-13	175,000	197,162	26,530	27,061	27,577	28,154	28,672	29,291	29,877
Facility for rapid response to soaring food prices in developing countries	dc	(08-10)	1 000,000	996,770		262,000	582,170	152,600			
(*) Legend for type of legal basis: co = codecision, dc = decision, pc = proposal codecision, pd = proposal decision											
(**) For codecided programmes, this corresponds to the reference amount in the legal basis; for non-codecided basic acts, this corresponds to the amount in the financial statement.											

The **EDF** has a separate budget of EUR 23 966 million for the period 2008 to 2013 and an **average annual amount of about EUR 3 700 million** (counted for the period 2007-13).

¹⁵¹ see the following pages for a [description of the programmes](#)

¹⁵² the figures from the adopted budget 2011 for this type of table will be available by 31 January 2011

Presentation of the instruments and programmes

(in the order of the programmes in the previous table)

The European Neighbourhood & Partnership Instrument¹⁵³

The European Neighbourhood and Partnership Instrument (ENPI, €12,3 billion for 2007-13) supports the [European Neighbourhood Policy](#) (ENP). Operational since 1 January 2007, it represents the strategic continuity with enlarged objectives of the former cooperation programmes TACIS (for the Eastern European countries) and MEDA (for the Mediterranean countries)

The ENPI's [beneficiary countries](#) are the ENP partner countries and Russia.

The ENPI has the following **strategic objectives**:

- supporting democratic transition and promoting human rights,
- the transition towards the market economy,
- the promotion of sustainable development; and policies of common interests (antiterrorism, the proliferation of weapons of mass destruction, conflict resolution, the rule of international law, etc.).

Within this framework, the Commission and partner countries established four principal **axes of co-operation** based on:

- the implementation of a strengthened dialogue on priority multisector reforms,
- the approximation of legislation,
- institutional support,
- the objectives of the UN's [Millennium Development Goals](#).

The ENPI finances actions in the various **sectors**, including: more equitable development; regulatory trade and reforms; the liberalisation of certain sectors; justice and home affairs; energy; transport; information society; environmental sustainability; research and innovation. In addition, it can provide support to electoral observation and post-crisis missions and to disaster preparedness.

Development Co-operation Instrument (DCI)¹⁵⁴

The DCI covers three components:

1) geographic programmes (€16,9 billion for 2007-13) supporting cooperation with 47 developing countries in [Latin America](#), [Asia and Central Asia](#), the [Gulf region](#) (Iran, Iraq and Yemen) and South Africa, in the following areas of cooperation:

- poverty eradication and the achievement of the [Millennium Development Goals](#);
- essential needs of the population, in particular primary education and health;
- social cohesion and employment;
- governance, democracy, human rights and support for institutional reforms;
- trade and regional integration;
- sustainable development through environmental protection and sustainable management of natural resources;
- sustainable integrated water resource management and fostering greater use of sustainable energy technologies;
- developing infrastructure and an increased use of information and communication technologies;
- sustainable rural development and ensuring food security;
- assistance in post-crisis situations and fragile States.

2) thematic programmes (€5,6 billion for 2007-13) benefiting all developing countries (including those covered by the [ENPI](#) and the [EDF](#)). These programmes support actions in the following fields:

- [investing in people](#);
- [environment and sustainable management of natural resources including energy](#);
- [non-state actors and local authorities in development](#);
- [food security](#);
- [migration and asylum](#)

¹⁵³ source: http://ec.europa.eu/europeaid/how/finance/enpi_en.htm

¹⁵⁴ source: http://ec.europa.eu/europeaid/how/finance/dci_en.htm

3) programme of accompanying measures for the 18 [African, Caribbean and Pacific \(ACP\) Sugar Protocol countries](#) (€1,24 billion for 2007-13), in order to help them adjust following the reform of the EU sugar regime.

European Instrument for Democracy & Human Rights (EIDHR)¹⁵⁵

The EIDHR (€1,1 billion for 2007-13) has the aim to provide support for the promotion of [democracy and human rights](#) in non-EU countries, in particular:

- Enhancing respect for human rights and fundamental freedoms in countries and regions where they are most at risk;
- Strengthening the role of civil society in promoting human rights and democratic reform, in supporting the peaceful conciliation of group interests and in consolidating political participation and representation;
- Supporting actions in areas covered by EU Guidelines: dialogue on Human rights, human rights defenders, the death penalty, torture, children and armed conflicts and violence against women;
- Supporting and strengthening the international and regional framework for the protection of human rights, justice, the rule of law and the promotion of democracy;
- building confidence in and enhancing the reliability and transparency of democratic electoral processes, in particular through monitoring electoral processes.

The EIDHR instrument can grant aid where no established development cooperation exists, and can intervene without the agreement of the governments of third countries. It can support groups or individuals within civil society defending democracy as well as intergovernmental organisations that implement the international mechanisms for the protection of human rights. **Work with, for and through civil society organizations gives to the EIDHR its critical profile.** Assistance under EIDHR complements other tools which are used to implement EU policies for democracy and human rights. These range from political dialogue and diplomatic initiatives to various instruments for financial and technical cooperation, including the [Development Co-operation Instrument](#) and [ENPI](#). It also complements the more crisis-related interventions of the [Instrument for Stability](#).

Instrument for Stability (IfS)

Crisis response projects under the IfS (€1,8 billion for 2007-13) focus on a wide range of issues, such as support to mediation, confidence building, interim administrations, strengthening Rule of Law, transitional Justice or the role of natural resources in conflict. Under the IfS, these activities can be supported in situations of crisis or emerging crisis, when timely financial help cannot be provided from other EU sources.

The IfS has been used to date to finance a large number of [crisis response projects world wide](#). The largest share of funds was given to projects in Africa, Asia-Pacific, The Balkans, followed by the Middle East and Latin America and the Caribbean.

The [Peace-building Partnership](#) is an innovative part of the IfS and is established to strengthen civilian expertise for peace-building activities. It is created to deepen the dialogue between civil society and the EU institutions. It addresses, in particular, civil society organisations and think-tanks, but also international organisations and agencies in EU Member States.

The IfS also enables the EU to help build [long-term](#) international, regional and national capacity to address pervasive transregional and global threats.

Humanitarian Aid¹⁵⁶

¹⁵⁵ source: http://ec.europa.eu/europeaid/how/finance/eidhr_en.htm

The Humanitarian Aid programme (€5,9 billion for 2007-13) pursues the following

Overall objectives:

- Save and preserve life during emergencies and their immediate aftermath and after natural disasters that have entailed major loss of life, physical, psychological or social suffering or material damage.
- Provide the necessary assistance and relief to people affected by longer-lasting crises arising, in particular, from outbreaks of fighting or wars.
- Help finance the transport of aid and efforts to ensure that it is accessible to those for whom it is intended, by all logistical means available, and by protecting humanitarian goods and personnel.
- Carry out short-term rehabilitation and reconstruction work especially on infrastructure and equipment.
- Cope with the consequences of population movements (refugees, displaced people and returnees) caused by natural and man-made disasters and to carry out repatriation schemes.
- Ensure readiness for risks of natural disasters or comparable exceptional circumstances and to develop suitable early-warning and intervention systems.
- Support civil operations to protect the victims of fighting or comparable emergencies.

Industrialised Countries Instrument (ICI, ICI+)

The Instrument for cooperation with industrialised countries and territories and other high-income countries and territories (ICI, €181 million for 2007-13) is aimed at engaging with partners which share similar political, economic and institutional structures and values to the Union and which are important bilateral partners and players in multilateral fora and in global governance. The cooperation also covers newly industrialised or high-income countries and territories with whom the Union has a strategic interest in promoting links.

The legislative procedure for ICI+, currently awaiting EP's 2nd reading, is to extend the geographic scope of ICI to DCI countries.

Instrument for pre-accession assistance (IPA)¹⁵⁷

The total pre-accession funding for the period 2007-2013 is € 11,5 billion.

IPA consists of the following **five components**:

Component I (Transition Assistance and Institution Building) provides financing for institution-building and associated investments. It supports measures to drive stabilisation and the transition to a democratic society and market economy. Component I is open to all candidates and potential candidates and is managed by Directorate-General Enlargement.

Component II (Cross-Border Cooperation) supports cross-border cooperation between candidates and potential candidates and with EU Member States. It may also fund participation in transnational cooperation programmes (under the Structural Funds) and Sea Basin programmes (under the European Neighbourhood and Partnership Instrument or ENPI). Component II is open to all candidates and potential candidates and is managed by DG Enlargement and DG Regional Policy.

¹⁵⁶ see also http://ec.europa.eu/echo/index_fr.htm

¹⁵⁷ http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/instrument-pre-accession_en.htm

Component III (Regional Development) finances investments and associated technical assistance in areas such as transport, environment and economic cohesion. It is open to candidate countries only and is managed by Directorate-General Regional Policy.

Component IV (Human Resources Development) aims to strengthen human capital through education and training and to help combat exclusion. It is open to candidate countries only and is managed by Directorate-General Employment, Social Affairs and Equal Opportunities.

Component V (Rural Development) contributes to sustainable rural development. It provides assistance for the restructuring of agriculture and its adaptation to EU standards in the areas of environmental protection, public health, animal and plant health, animal welfare and occupational safety. It is open to candidate countries only and is managed by Directorate-General Agriculture and Rural Development.

Beneficiaries of IPA are the **candidate countries** (currently: Croatia, Iceland, Turkey and the former Yugoslav Republic of Macedonia) and the **potential candidates** (Albania, Bosnia and Herzegovina, Montenegro, Serbia, Kosovo under UN Security Council Resolution 1244/1999).

Instrument for Nuclear Safety Cooperation¹⁵⁸

The Instrument for Nuclear Safety Cooperation (€524 million for 2007-13) aims at providing a high level of nuclear safety and radiological protection, as well as the implementation of effective and efficient safety controls in Non-EU Member Countries.

It supports measures for improving nuclear safety, particularly in terms of regulatory framework or management of nuclear plant safety (design, operation, maintenance, decommissioning), the safe transport, treatment and disposal of radioactive waste, remediation of former nuclear sites, protection against ionising radiation given off by radioactive materials, accident prevention and reaction in the event of an accident, or also the promotion of international cooperation.

Macro-Financial Assistance to third countries¹⁵⁹

Macro-Financial Assistance (MFA, €0,6 billion for 2007-13) is a policy-based financial instrument of untied and undesignated balance-of-payments support to partner third countries. It takes the form of medium/long-term loans or grants, or a combination of these, and generally complements financing provided in the context of an International Monetary Fund's reform programme.

Common foreign and security policy (CFSP)

The CFSP chapter of the EU budget (€ 2 billion for 2007-13) allows to cover

- administrative expenditure for the implementation of the CFSP,
- operational expenditure for the implementation of the CFSP **except** for operations with military and defence implications (in which cases the expenditure will be charged to the Member States according to article 41 TEU).

In line with article 42 of the IIA on budgetary discipline and sound financial management of May 2006 (for the MFF 2007-13), the CFSP budget chapter is divided into the following articles:

- monitoring and implementation of peace and security processes,
- non-proliferation and disarmament,
- conflict prevention, resolution and stabilisation,
- emergency measures,
- preparatory and follow-up measures,

¹⁵⁸ http://europa.eu/legislation_summaries/development/sectoral_development_policies/l27073_en.htm

¹⁵⁹ http://ec.europa.eu/economy_finance/financial_operations/market/third_countries/index_en.htm

- European Union Special Representatives.
- crisis management operations (police missions).

Guarantee Fund for external actions¹⁶⁰

The Guarantee Fund for external actions (the initial reference amount of €1,4 billion has been reduced to a total amount of €743 million for 2007-2013) is intended to cover the budgetary risks related to loans and guarantees covering loans granted to third countries or for projects executed in third countries. The aim of the Fund is to protect Community budget appropriations and to contribute to compliance with budgetary discipline.

The Guarantee Fund may be drawn on to pay the Community's creditors direct in the event of default by the beneficiary in respect of:

- a loan granted or guaranteed by the EC;
- a guaranteed loan granted by the European Investment Bank (EIB) for which the EC acts as guarantor.

Civil Protection Financial Instrument¹⁶¹

This instrument (total amount €32 million for 2007-13) aims at supporting and complementing the efforts of Member States for the protection, primarily of people, but also of the environment and property, including cultural heritage, in the event of **natural and man-made disasters, acts of terrorism and technological, radiological or environmental accidents**. Furthermore, it intends to facilitate reinforced co-operation between the Member States in the field of civil protection.

Cooperation with Greenland

This appropriation (€197 million for 2007-2013) is intended to fund cooperation for the sustainable development of Greenland in the framework of the partnership between the European Community and Greenland. Cooperation shall support sector policies and strategies that facilitate access to productive activities and resources, in particular: (a) education and training; (b) mineral resources; (c) energy; (d) tourism and culture; (e) research; (f) food safety.

Food Facility¹⁶²

The 'Facility for rapid response to soaring food prices in developing countries' (€1 billion for 2008-2010 (commitments) and 2009-2011 for payments; half of it was spent in 2009) was intended to provide a rapid EU response to soaring food prices in developing countries.

¹⁶⁰ http://europa.eu/legislation_summaries/budget/l34006_en.htm

¹⁶¹ http://ec.europa.eu/echo/civil_protection/civil/prote/finance.htm

¹⁶² http://ec.europa.eu/europeaid/how/finance/food-facility_en.htm

The European Development Fund (EDF)¹⁶³

The EDF (€24 billion for the current 10th EDF for 2008-13) is the main instrument for providing Community development aid in the African, Caribbean and Pacific (ACP) countries and the overseas countries and territories (OCTs).

It supports actions for economic development, social and human development, regional cooperation and integration.

The EDF consists of several instruments:

grants managed by the Commission,

risk capital and loans to the private sector, managed by the European Investment Bank under the Investment Facility,

the FLEX mechanism, aiming at remedying the adverse effects of instability of export earnings.

The EDF accounts for about 30% of the total EC External Assistance, e.g. in 2009 the EDF made up for 28% of the external assistance provided from the EU budget augmented by the EDF.

The current 10th EDF has not been integrated in the EU general Budget, like all its predecessors which were not part of the EC general budget. The EDF is funded by the Member States. The 10th EDF, like its predecessors, has its own financial regulation, but it is implemented by EuropeAid which also is in charge of implementing the other development aid from the EU general budget. Furthermore, the EDF is subject to the yearly scrutiny of the discharge procedure, the European Parliament being the discharge authority for the EDF as for the EU general budget.

The European Parliament as well as the European Commission repeatedly requested the integration of the EDF in the EU general budget, for the sake of transparency, efficiency, the reduction of administrative cost and better democratic control.

¹⁶³ http://ec.europa.eu/europeaid/how/finance/edf_en.htm

ANNEX

EU External Assistance by Geographic and Thematic Instruments¹⁶⁴

(here only the programmes managed by EuropeAid, which is in future integrated with DG DEV as 'DG DevCo')

Geographic instruments

Geographical programmes are the preferred instrument for cooperation. Based on a dialogue with the partner countries, the Commission draws up strategy papers based on countries and regions' needs and performance. These strategy papers set out the priority areas and financial allocations and serve as the basis for the **programming** of development aid. An **action programme** is then adopted each year to define the specific objectives, fields of intervention, expected results and amount of funding.

Funding Instrument	Geographical zone	countries covered	Average annual funding	Total funding available for 2007-2013
European Neighbourhood and Partnership Instrument (ENPI)	Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Russia, Syria, Tunisia and Ukraine	17	€1.6 billion	€ 11.181 billion
European Development Fund (EDF)	African, Caribbean and Pacific (ACP) countries and the overseas territories of EU Member States	79	€3.7 billion	€ 22.7 billion
Development Co-operation Instrument (DCI)	Latin America, Asia and Central Asia, and the Gulf region and South Africa.	47	€ 1.4 billion	€ 10.057 billion

¹⁶⁴ source: <http://ec.europa.eu/europeaid/how/finance/>

Thematic instruments and programmes

In addition to providing regional and country-based approaches to development through geographic programmes, the European Commission operates programmes with a specific thematic focus. They are implemented on the basis of [thematic strategy papers](#) and [annual action programmes](#).

In order to provide a rapid EU response to volatile food prices in developing countries, an ["EU Food Facility"](#) was set up in December 2008. This new instrument provides for € 1 billion funding to be spent between 2008 and 2010, nearly half of which in 2009.

Funding Instrument	Geographical zone covered	Average annual funding	Total funding available
European Instrument for Democracy & Human Rights (EIDHR)	All countries, except EU and industrialised countries	€160 million	€ 1.104 billion between 2007-2013
Nuclear Safety Co-operation Instrument (NSCI)	All countries, except EU and industrialised countries	€75 million	€524 million between 2007-2013
DCI- Environment and sustainable management of natural resources including energy	All countries, except EU and industrialised countries	€ 120 million	€ 470 million between 2007-2010
DCI- Non-state actors and local authorities in development	All countries (including EU), except third industrialised countries	€ 230 million	€ 1.6 billion between 2007-2013

Funding Instrument	Geographical zone covered	Average annual funding	Total funding available
DCI- Food security	All countries, except EU and industrialised countries	€ 240 million	€ 925 million between 2007-2010
DCI- Migration and asylum	All countries, except EU and industrialised countries	€ 60 million	€ 384 million for the period 2007-2013
DCI- Investing in people	All countries, except EU and industrialised countries	€ 150 million	€ 1 billion between 2007-2013
DCI - Restructuring of sugar production	18 African, Caribbean, Pacific countries	€180 million	
EU food facility	50 countries in Africa, Caribbean, Asia, Latin America, Gulf region .	N/a	€ 1 billion between 2008-2010
Instrument for stability	All countries, except EU and industrialised countries	€290 million	€ 2.062 billion for 2007-2013



Cohesion and solidarity

Exchange of views with
Johannes Hahn, Commissioner for Regional Policy
and
László Andor, Commissioner for Employment, Social
Affairs and Inclusion

**SURE Committee Meeting
10 February 2011
Brussels**

Policy challenges and budgetary resources post-2013 for Cohesion and Solidarity

Rapporteur's selection of main issues which could be raised during the SURE Committee discussion

European Parliament, Brussels, 10 February 2011, room JAN 4Q2

Priorities for cohesion and solidarity after 2013

Cohesion policy, which aims at reducing disparities between the level of development of European regions, mobilising growth potential to achieve economic and social cohesion has proven to be essential in the process of European integration. The Treaty of Lisbon increased the importance of the cohesion policy and a third pillar – territorial cohesion – has been added to it.

What should be the main priorities for the EU in post-2013 cohesion policy and how should it be improved in order to develop a modern, coherent, effective and efficient policy that is closely linked to the EU 2020 strategy? What level of funding can be regarded as adequate in order to ensure that cohesion policy will successfully fulfil its mission and objectives?

What particular lessons have been drawn from the Lisbon Strategy and how could they contribute to the cohesion policy reform?

How does the Commission evaluate the "earmarking" of structural and cohesion funds for Lisbon Strategy objectives in the current programming period? What kind of lessons can be drawn from this exercise and how can the system improve in view of aligning cohesion policy with the EU 2020 strategy objectives?

Delivering the Europe 2020 strategy: New strategic programming approach

In the EU Budget review and its 5th Cohesion Report the Commission outlined a new strategic programming approach for cohesion policy with a view to closer integration of the EU policies to deliver the EU 2020 Strategy. According to the Commission, the new strategic programming approach would consist of three elements: a common strategic framework, a development and investment partnership contracts and operational programmes.

How does the Commission intend to align the strategic objectives for smart, sustainable and inclusive growth of the EU2020 and the cohesion policy objectives? How would the cohesion policy objectives which are not explicitly included in the EU2020 strategy be correlated within the new strategic framework?

How should the cohesion policy, with its horizontal character contributing to all EU2020 objectives, be reflected in the structure of the next-MFF? What does it mean for cohesion policy to be included in the "Inclusive growth" pillar of the EU 2020 strategy, given that at the same time it makes a substantial contribution to achieving the objectives of smart and sustainable growth?

How would the efficiency and effectiveness of the different instruments supporting the same objectives be increased? How does the Commission intend to optimise the synergies between the existing funds and instruments?

What role should the ESF play in the new strategic framework? Should it remain an integral part of Cohesion Policy after 2013? How should the ESF be reinforced in order to strengthen its potential in relation to the pursuit of economic and social cohesion?

Could the Commission give more details on the implementation of the development and investment partnership contracts?

Strengthening performance through conditionality, incentives, focus on results and increased thematic concentration

In the Commission's view, the EU new economic governance system requires new binding conditionality provisions and incentives for reforms to be undertaken by the Member States to ensure effective use of financial resources in fields directly linked to cohesion policy.

How would the conditionalities, incentives and result-based management improve the effectiveness of cohesion policy? What are the advantages and disadvantages of such conditionalities?

How would the division of tasks and responsibilities between different actors (Commission, national, local authorities) be ensured in practice? How can it be ensured that a more performance-oriented architecture for cohesion policy does not lead to increased bureaucracy?

What other instruments which could further strengthen the effectiveness of cohesion policy have been explored by the Commission?

Simplifying the delivery system

One of the main criticisms directed at cohesion policy has to do with the complexity of its rules.

How should the rules and procedures of this policy be simplified, in order to reduce complexity and administrative burdens and to ensure more transparent and effective allocation of resources at different level?

More European added value as a condition for European expenditure

The cohesion policy, which aims at reducing disparities between the levels of development of European regions, mobilising growth potential and achieving economic, social and territorial cohesion, has a widely recognised added value. However, there could be a range of priorities which might be considered of a primary national, regional or local responsibility (i.e. fewer early school-leavers, higher levels of final examination results, less poverty, more people in employment).

In the context of limited EU resources and with due respect to the principle of subsidiarity and proportionality, how could the European added value be defined more clearly in order to establish the 'adequate level' of funding after 2013?

What is the right balance between coordination, regulation and budget determined by the Commission, while assessing which means could best contribute to the achievement of the established objectives?

BACKGROUND DOCUMENT

on

STRUCTURAL AND COHESION FUNDS

for the meeting of the

**Special committee on the policy challenges and
budgetary resources for a sustainable European Union
after 2013**

10 February 2011

31 January 2011

EN

Structural and Cohesion Policy

Introduction

The European Union (EU) comprises 27 Member States forming a community and single market of 500 million citizens. However, great economic and social disparities still remain among these countries and their 271 regions. European Structural and Cohesion Policy is at the centre of the effort to improve the competitive position of the Union as a whole, and its weakest regions in particular.

The **Structural Funds and the Cohesion Fund**, reformed in July 2004, are financial tools set up to implement the Cohesion policy also referred to as the Regional policy of the European Union. They aim to reduce regional disparities in terms of income, wealth and opportunities. Europe's poorer regions receive most of the support, but all European regions are eligible for funding under the policy's various funds and programmes.

Table 1: Disparities across the European Union

	Hi	Lo	Ratio
GDP per capita (% EU 27 average)	Luxembourg 251 %	Bulgaria 33%	7.6
Population	Germany 82.5 million	Malta 404,000	204

Source: own

Through the European Regional Development Fund (ERDF) and the European Social Fund (ESF), otherwise known as the Structural Funds, as well as the Cohesion Fund, the EU invests in thousands of projects across all of Europe's regions to achieve its primary task: to promote economic and social cohesion by reducing these disparities between Member States and regions.

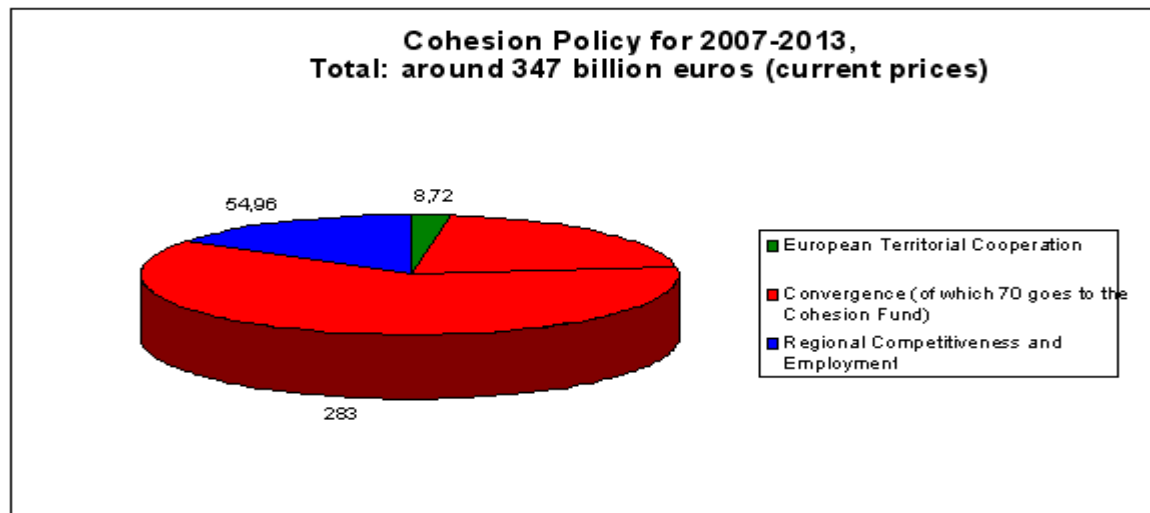
However, as the challenges facing Europe's regions have changed over time, so too has the policy. Against a background of momentous change in the Union as a result of enlargement and of increasing globalisation, concerns about energy supplies, demographic decline, climate change and more recently, world recession, the policy has evolved, in step, as a key part of the response to meet these new realities.

In its article 3, the Lisbon Treaty makes territorial cohesion an explicit Objective for the future of Cohesion Policy. Moreover, the current crisis with its asymmetric territorial impacts has increased the importance of territorial cohesion within the EU, and the discussion about the concept has gained momentum.

Financial framework

The current programming period runs from 1 January 2007 to 31 December 2013. With a budget of €347 billion the European Regional Development Fund, European Social Fund and Cohesion Fund together account for more than one third of the EU's overall budget. Cohesion Policy represents the single largest source of financial support at EU level for investment in growth and jobs, designed to enable all regions to compete effectively in the internal market.

Figure 1: Financial allocation of the structural and Cohesion policy for the period 2007-13



Source: Eurostat

The Structural Funds budget and the rules for its use are decided by the Council and the European Parliament on the basis of a proposal from the European Commission.

Legal framework

The regulations covering the various regional funds are

- Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999
- Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No 1784/1999
- Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC)
- Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999
- Council Regulation (EC) No 1084/2006 of 11 July 2006 establishing a Cohesion Fund and repealing Regulation (EC) No 1164/94

The funds

Structural funds

The Structural Funds are made up of the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The Structural Funds and the Cohesion Fund make up, together with the Common Agricultural Policy (CAP), the great bulk of EU funding, and the majority of total EU spending.

The overall budget for this period is €347bn and derives from Heading 1B from the general EU budget: €198bn for the European Regional Development Fund, €79bn for the European Social Fund, and €70bn for the Cohesion Fund (Table 2).

Table 2: Heading 1B – Cohesion for Growth and Employment (2007-13), in € mio

Structural Fund (total)	277,657.74
of which:	
<i>European Regional Development Fund (ERDF)</i>	<i>198,941.36</i>
<i>European Social Fund (ESF)</i>	<i>78,716.37</i>
Cohesion Fund (total)	69,752.33
Total Heading 1B	347,410.07

Source: own

The instruments of the Structural Funds serve to address three objectives: convergence, regional competitiveness and employment and territorial cooperation.

Figure 2: Structural Funds and its objectives

Objectives, Structural Funds and instruments
2007-2013

Objectives	Structural Funds and instruments		
Convergence	ERDF	ESF	Cohesion Fund
Regional Competitiveness and Employment	ERDF	ESF	
European Territorial Cooperation	ERDF		

Source: European Commission

The European Regional Development Fund (ERDF)

The ERDF supports programmes addressing regional development, economic change, enhanced competitiveness and territorial co-operation throughout the EU. Funding priorities include modernising economic structures, creating sustainable jobs and economic growth, research and innovation, environmental protection and risk prevention. Investment in infrastructure also retains an important role, especially in the least-developed regions.

ERDF resources are mainly used to cofinance:

- productive investment leading to the creation or maintenance of jobs;
- infrastructure;

- local development initiatives and the business activities of small and medium-sized enterprises.

In practice, all development areas are covered: transport, communication technologies, energy, the environment, research and innovation, social infrastructure, training, urban redevelopment and the conversion of industrial sites, rural development, the fishing industry, tourism and culture.

The European Social Fund (ESF)

The European Social Fund (ESF) is one of the EU's Structural Funds, set up to reduce differences in prosperity and living standards across EU Member States and regions, and therefore promoting economic and social cohesion.

The ESF aims at promoting employment in the EU. It helps Member States prepare Europe's workforce and companies better equipped to face new, global challenges. Funding is spread across the Member States and regions, in particular those where economic development is less advanced. It is a key element of the EU's 2020 strategy for Growth and Jobs targeted at improving the lives of EU citizens by giving them better skills and better job prospects.

The ESF focuses on four key areas: increasing the adaptability of workers and enterprises, enhancing access to employment and participation in the labour market, reinforcing social inclusion by combating discrimination and facilitating access to the labour market for disadvantaged people, and promoting partnership for reform in the fields of employment and inclusion.

Over the period 2007-2013 some **€75 billion** will be invested in the EU Member.

Cohesion fund

The Cohesion Fund is a structural instrument that helps Member States to reduce economic and social disparities and to stabilise their economies since 1994. The Cohesion Fund finances up to 85 % of eligible expenditure of major projects involving the environment and transport infrastructure. This strengthens cohesion and solidarity within the EU. Eligible are Member States of the Union whose gross national product (GNP) per capita is below 90% of the EU-average (since 1/5/2004 Greece, Portugal, Spain, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia). It serves to reduce their economic and social underperformance, as well as to stabilise their economy. It supports actions in the framework of the Convergence objective. It is now subject to the same rules of programming, management and monitoring as the ESF and the ERDF.

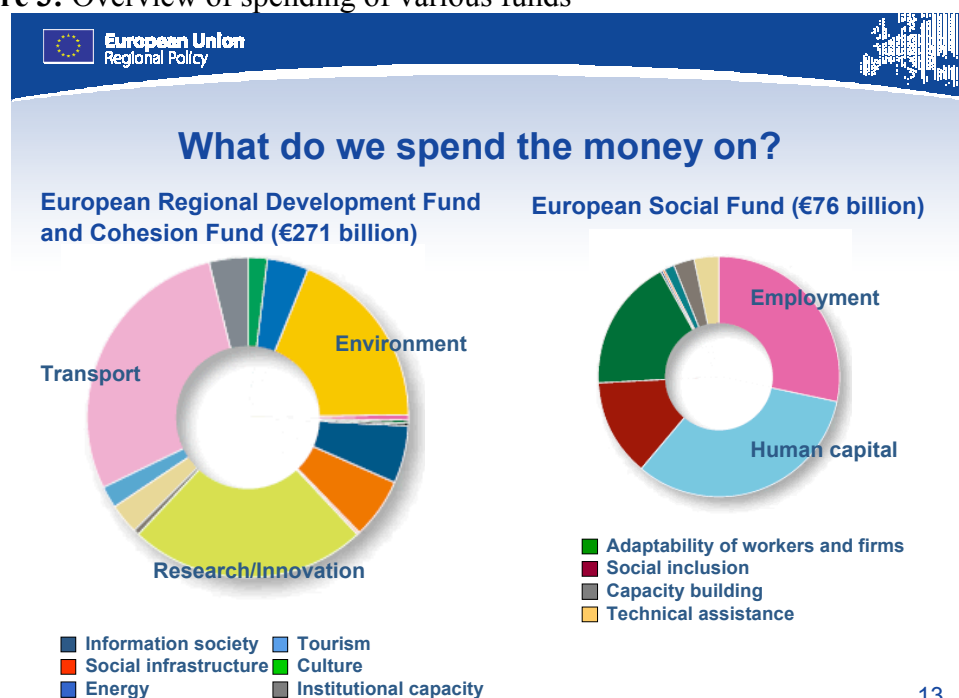
For the 2007-2013 period the Cohesion Fund concerns Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. Spain is eligible to a phase-out fund only as its GNI per inhabitant is less than the average of the EU-15. 26% of the total allocation for the Structural Policy instruments has been earmarked to the Cohesion Fund (€70 bn).

The Cohesion Fund contributes to improving the environment and trans-European transport networks. It applies to member states with a Gross National Income (GNI) of less than 90% of the EU average. As such, it covers all 12 new member states as

well as Greece and Portugal. Spain is also eligible for the Cohesion Fund, but on a transitional basis (so-called "phasing-out").

Cohesion Fund support is conditional. The funding granted to a Member State is liable to be suspended if the country fails to comply with its convergence programme for economic and monetary union (stability and growth pact) running i.e. an excessive public deficit (more than 3% of GDP for Spain, Portugal and Greece, this threshold is being negotiated separately for each of the ten new Member States according to their own public deficit at the moment of the accession). Until the deficit has been brought back under control, no new projects might be approved.

Figure 3: Overview of spending of various funds



Source: European Commission

13

Impact and implementation

Implementation of the funds

The reformed structural and cohesion policy for 2007-2013 defines the common rules, standards and principles applicable to the European Regional Development Fund, the European Social Fund and the Cohesion Fund¹⁶⁵. The reform tried to target structural actions which are more focused on the EU's strategic guidelines, more concentrated on the most disadvantaged regions, and more decentralised and simplified.

The principle difference to the previous programming period of 2000-06 was that three new objectives had been introduced, with the view to targeting the goals more

¹⁶⁵ One region in four has a GDP (Gross Domestic Product) per inhabitant under 75% of the average of the European Union of 27.

effective and precisely, but also to incorporate the Lisbon goals. The three new objectives are: Convergence, Regional Competitiveness and Employment and Territorial Cooperation. These objectives will supersede the former Objectives [1](#), [2](#) and [3](#) for the 2000-2006 programming period.

Objectives 2007-2013

Convergence Objective (Formerly Objective 1)

It is aimed to cover regions whose GDP per capita is below 75% of the EU average and seeks at accelerating their economic development. The finance is provided by the ERDF, the ESF and the Cohesion Fund. The priorities are to promote growth-enhancing conditions and factors leading to real convergence for the least-developed Member States and regions. The focus is on human and physical capital, innovation, knowledge society, environment and administrative efficiency. The budget allocated to this objective is € **283.3bn**.

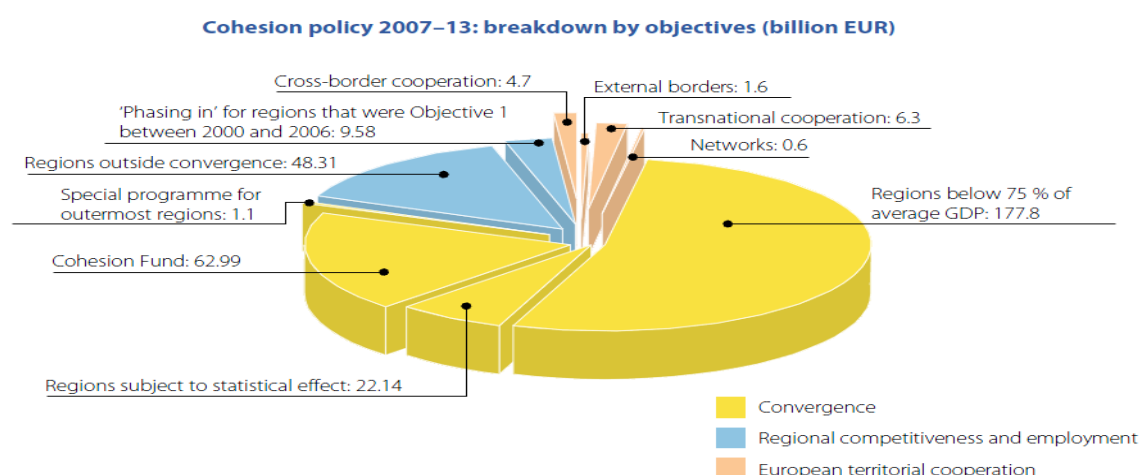
Regional Competitiveness and Employment Objective (Formerly Objective 2)

This covers all regions of the EU territory, except those already covered by the Convergence objective. It aims at reinforcing competitiveness, employment and attractiveness of these regions. Innovation, the promotion of entrepreneurship and environment protection are the main themes of this objective. The funding of € **55bn** comes from the ERDF and the ESF.

Territorial Cooperation Objective (Formerly Objective 3)

The last objective builds upon the Interreg initiatives of previous programs, which were originally planned to be fully incorporated into the main objectives of the structural funds. Financed by the ERDF with a budget of €**8.7bn**, its aim is to promote cooperation between European regions, as well as the development of common solutions for issues such as urban, rural and coastal development, shared resource management or improved transport links. This objective is divided in three strands: cross-border cooperation (formerly the Interreg IIIA), transnational cooperation and interregional cooperation

Figure 4: Breakdown of Cohesion policy funding by objectives



Source: European Commission

The new rules for the funds also stipulate a division by objective, which states the percentage to be attributed to the three objectives:

- 81.54% for Convergence
- 15.95% for Regional Competitiveness and Employment
- 2.52% for European Territorial Cooperation

The new programming period also set new maximum co-financing rates for each objective:

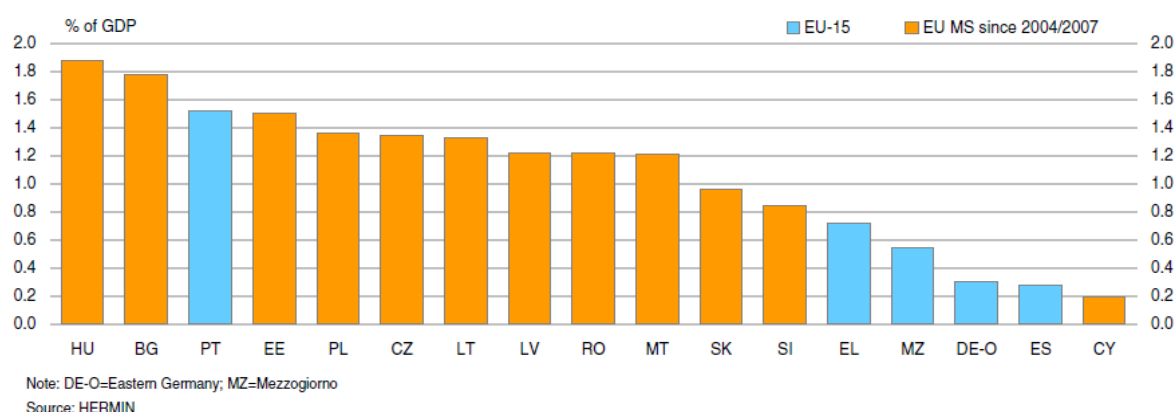
- Convergence: between 75% and 85%
- Competitiveness and Employment: between 50% and 85%
- European Territorial Cooperation: between 75% and 85%
- Cohesion Fund: 85%

Budgetary commitments relating to the operational programmes are made per annual proportion, for each fund and each objective. The Commission commits the first annual proportion before the adoption of the operational programme. Afterwards, it commits the proportions by 30 April of each year, at the latest.

A portion of the budgetary commitment is automatically decommitted by the Commission if it has not been used or if no payment application has been received by the end of the second year following that of the budgetary commitment (n+2)

For Bulgaria, the Czech Republic, Estonia, Greece, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Slovakia, the deadline is set for the end of the third year (n+3) between 2007 and 2010, under their operational programmes.

Figure 5: Cohesion Policy expenditure relative to GDP, average 2007-2013



Source: European Commission

Assesment of the implementation

Assessment of the implementation

From the outset, the reform has been designed to address and fund the priorities of the European Union regarding the promotion of competitiveness and job creation (Lisbon strategy). It was also set out the conditions for financing the various funds. The Commission and the Member States oversee that 60% of the expenditure of all Member States for Convergence and 75% of the expenditure for Competitiveness and Employment target these priorities.

The European Parliament also adopted, with only one vote against, the reports on the implementation of the cohesion policy programmes for 2007-2013 and on the state of play and future synergies between ERDF and other Structural Funds.

The report also indicated that more than 80% of these funds will go to the EU's poorest 84 regions in 17 Member States; almost 16% of the money will be available for the remaining regions; more than 2.5% will be spent on cross-border co-operation through joint local and regional initiatives. Funding from the European Social Fund will be available for national, regional and local administrations to strengthen their institutional capacity and the activities they run. It also noted a significant increase in the rate of implementation of the funds in the last months.

In addition the European Parliament stresses that Structural and Cohesion Policy must not only favour already dynamic regions. It highlights the importance of real partnerships and the implementation of genuinely multi-level governance involving every level in collaboration with the economic and social partners in defining and implementing regional development objectives. The Parliament also proposes to give

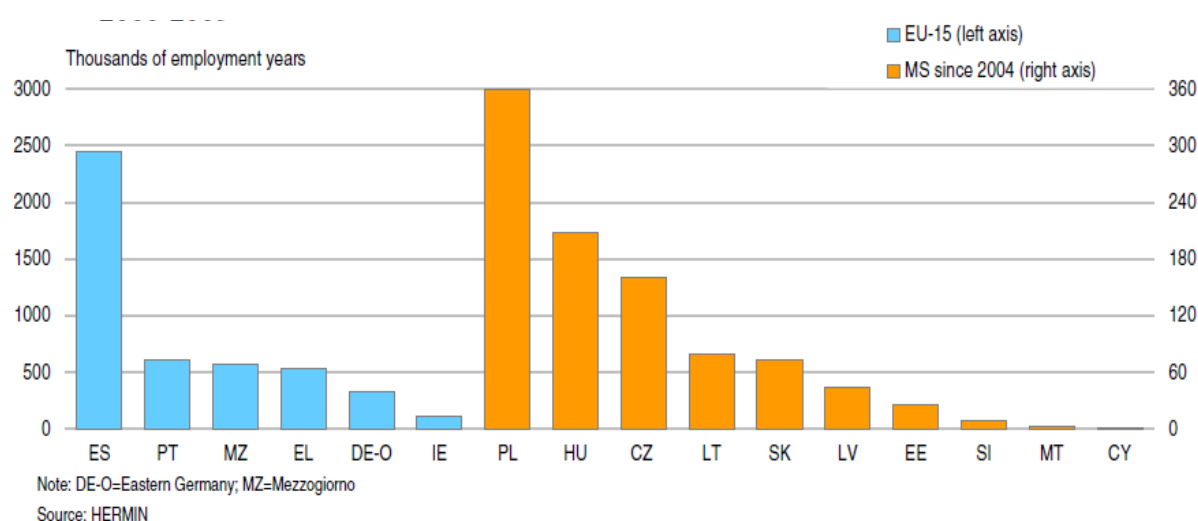
priority to policies that serve a genuinely polycentric development of territories and that greater synergies should be created with other major sectorial policies.

Also, Parliament considers that efforts need to be stepped up to improve integration and social and territorial cohesion, particularly by overcoming defects in the built environment. Member States should give priorities to internal rather than external urban development.

The macro-economic impact of Cohesion Policy

As a result of larger funding in the EU-27 in the 2007-2013 period, the expected impact of Cohesion Policy on the recipients GDP is much bigger than before. The gains depend in part on scale of spending, but also on the economic structure and spending profile of the region. Central and western regions, with sizable manufacturing sectors, are estimated to benefit most, while eastern regions with large agricultural sectors and smaller and less efficient manufacturing sectors the least, although the estimated effects here are still significant.

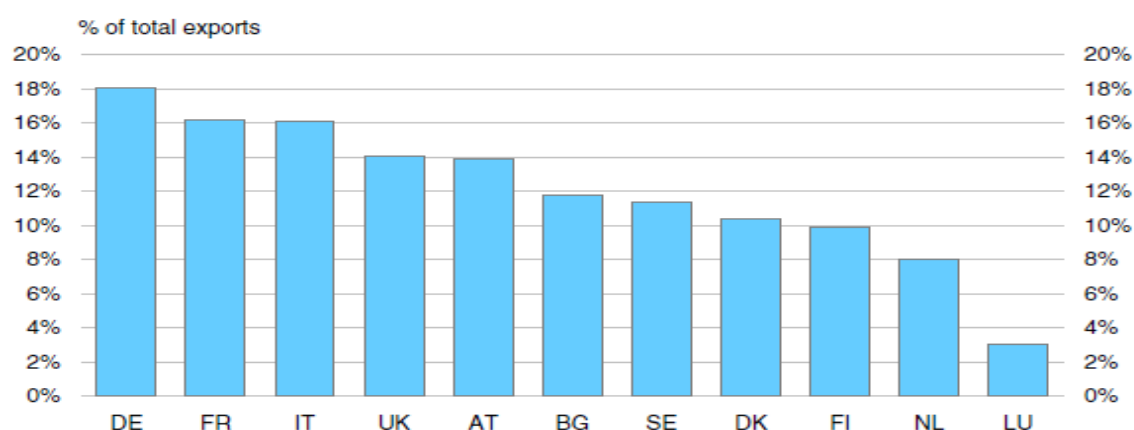
Figure 6: Estimated employment creation induced by Cohesion Policy expenditure



Source: European Commission

Cohesion Policy also affects the countries which are net contributors and, accordingly, have higher taxes than they otherwise would in order to provide the finance required. The countries concerned, however, tend to have more advanced economies, producing many of the kinds of capital goods and services that are required by the net recipient countries as they develop. As a result, the effect on them of needing to raise finance is mitigated by their increased exports. For instance, France and the UK gained considerably from their relative high trade with Spain and Ireland, respectively, while Germany increased exports to most of the net recipient countries.

Figure 7: Share of main beneficiary Member States in total exports of net donor countries



Source: Eurostat, COMEXT database

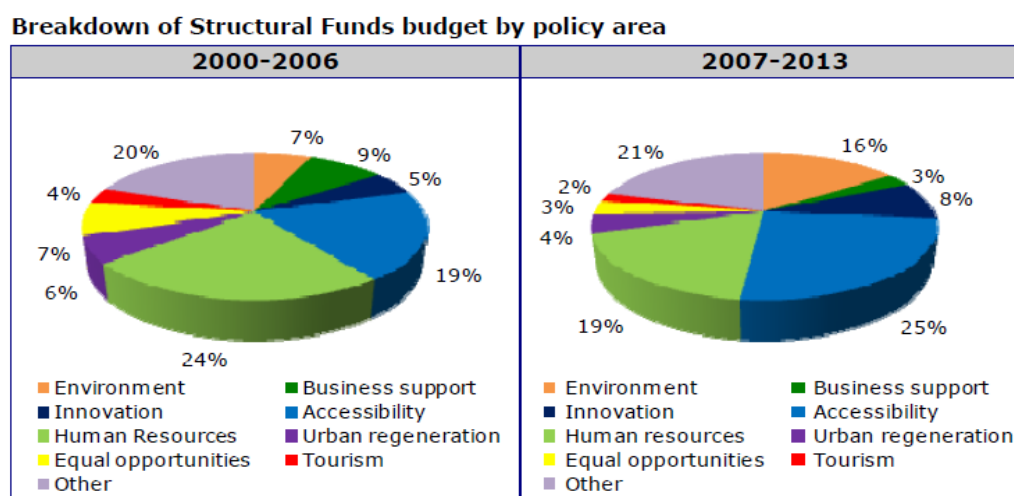
Source: European Commission

differences between programming period and Lessons learned

Evidence from the previous (2000-2006) and current (2007-2013) programming period showed that there was a shift in priorities in favour of innovation, in line with the Lisbon Strategy recommendations. Increased investments in the environment also confirm the awareness of the future challenges that European regions are likely to face.

Both programming periods allocated considerable resources to finance investments in the area of accessibility. This is a priority with the largest share of the funds in the current programming period. Human resources also play a vital role, with 20% of that total resource. Other priorities are support for small and medium enterprises (SME) and equal opportunities.

Figure 8: Financial allocation of programming period



Source: European Commission

Added value

A cornerstone of EU Regional policy is the added positive impact that it seems to have on administrations, regional stakeholders and regional policy are input. Structural Funds play a fundamental role in the implementation of interventions that otherwise would not have been made with national funds only. This applies in particular to long-term and large scale investments.

Strategic intervention, especially in objective 2 areas, has often promoted innovation and enabled experimentation with new methodologies or tools for regional economic development, which otherwise would not have been envisaged.

Also, without the ESF, most of the interventions in vocational training and social inclusion would not have been implemented. To a different end, impacts on the governance of regional development are very important in the long term. In particular in the New Member States, regional and local administrations increased in their capacity in managing local development. Capacity effects were not only perceived in the New Member States, but also in efficient EU-15 public regional administrations such as UK and Sweden.

Structural Funds encouraged innovation and benchmarking with experiences in other countries, in the context of a common legislative framework. This was also possible due to territorial cooperation. These funds also stimulated networking at very regional and local level and it promoted ownership of local development. In addition, Structural Funds provide a decisive stimulus in the implementation of mainstream themes like environment, innovation and gender issues.

some lessons learned

There are few lessons learned by comparing the previous programming period with the current one:

1. The Cohesion Fund is more integrated into the operation of the mainstream Structural Funds.
2. A switch from project-based support to programme-based support.
3. The Commission' approval is required only in the case of major projects (EUR 25 million for environmental and EUR 50 million for transport projects). Therefore, the Cohesion Fund managing authorities have increased responsibility in terms of selection, appraisal, grant award, monitoring, management and ensuring speedy implementation to avoid loss of assistance as programming spending discipline applies, i.e. the “n+2” rule.
4. The assistance does not only cover major transport and environmental protection infrastructures, but also projects in the fields of energy efficiency, renewable energy and intermodal, urban or collective transport.
5. New rules to simplify the financial management of the funds, such as one programme = one fund. From this, the ERDF and the ESF finance in a complementary and limited fashion actions falling within the scope of the assistance of another fund (this is limited to no more than 10% of the resources allocated by the Community to each priority area of an operational programme). The exception to this rule is that the ERDF and the Cohesion Fund intervene jointly for programmes covering infrastructure and environment.

DIFFERENCES TO THE 2000-2006 PROGRAMMING PERIOD

- All rules governing financial management are also valid for the Cohesion Fund.
- Regarding the eligibility of expenditure, the rules are established at national rather than European level.
- The co-financing rates have changed. In the previous period, pre-financing represented 7% of the participation of the funds to the action concerned (for the first 15 Member States) and 16% for the 10 Member States which joined in 2004.
- The first intermediary payment can only be made if the Member State gives the Commission a description detailing its management, certification and auditing bodies.
- The application for the first intermediary payment must be made within 24 months following the transfer by the Commission of the first proportion of the pre-financing allocation (otherwise the Member State must reimburse the pre-financing allocation).

- Reimbursements are calculated depending on the level of each priority area (and not on the level of the measures as in 2000-2006).
- The n+3 rule is introduced for the 12 most recent Member States.
- Financial management becomes more flexible: a partial closure of transactions already completed is possible (before the programme as a whole is completed).

ANNEX I - Overview of structural and cohesion policy

2000–06		2007–13	
Objectives	Financial Instruments	Objectives	Financial Instruments
Cohesion Fund	Cohesion Fund	Convergence	ERDF
Objective 1	ERDF		ESF
	ESF		Cohesion Fund
	EAGGF — Guarantee and Guidance		
	FIFG		
Objective 2	ERDF ESF	Regional competitiveness and employment • regional level • national level: European employment strategy	ERDF ESF
Objective 3	ESF		
Interreg	ERDF	European territorial cooperation	ERDF
URBAN	ERDF		
EQUAL	ESF		
Leader+	EAGGF — Guidance		
Rural development and restructuring of the fisheries sector outside Objective 1 EAGGF — Guarantee FIFG	EAGGF — Guarantee FIFG		
9 objectives	6 Instruments	3 objectives	3 Instruments

Source: European Commission

ANNEX II - Overview of Cohesion

Cohesion policy 2007–13 (EUR 336.1 billion)

Programmes and Instruments	Eligibility	Priorities	Allocations
Convergence objective Including the special programme for the outermost regions			78.5 % (EUR 264 billion)
National and regional programmes (ERDF, ESF)	Regions with per capita GDP < 75 % of EU-25 average	<ul style="list-style-type: none">• Innovation• Environment/risk prevention• Accessibility• Infrastructures• Human resources• Administrative capacity	67.34 % = EUR 177.8 billion
	Statistical effect: regions with per capita GDP < 75 % of EU-15 and > 75 % of EU-25		8.38 % = EUR 22.14 billion
Cohesion Fund	Member States with per capita GNI < 90 % of Community average	<ul style="list-style-type: none">• Transport networks (TEN-T)• Sustainable transport• Environment• Renewable energy	23.86 % = EUR 62.99 billion
Regional competitiveness and employment objective			17.2 % (EUR 57.9 billion)
Regional programmes (ERDF) and national programmes (ESF)	The Member States propose a list of regions (NUTS1 or NUTS2)	<ul style="list-style-type: none">• Innovation• Environment/ risk prevention• Accessibility• European employment strategy	83.44 % = EUR 48.31 billion
	'Phasing in' regions covered by Objective 1 between 2000 and 2006 and not covered by the convergence objective		16.56 % = EUR 9.58 billion
European territorial cooperation objective			3.94 % (EUR 13.2 billion)
Cross-border and transnational programmes and networks (ERDF)	Border regions and large transnational cooperation regions	<ul style="list-style-type: none">• Innovation• Environment/risk prevention• Accessibility• Culture, education	35.61 % cross-border cooperation 12.12 % European neighbourhood and partnership instrument 47.73 % transnational cooperation 4.54 % networks

ANNEX III - Financial allocation of Cohesion Policy

COHESION POLICY 2007-2013: INDICATIVE FINANCIAL ALLOCATIONS (MILLION EUR, CURRENT PRICES)

	Convergence Objective			Regional Competitiveness and Employment Objective		European Territorial Cooperation Objective	Total
	Cohesion Fund	Convergence	Statistical Phasing-out	Phasing-In	Regional Competitiveness and Employment		
België/Belgique			638		1 425	194	2 258
Bulgaria	2 283	4 391				179	6 853
Česká Republika	8 819	17 054			419	389	26 692
Denmark					510	103	613
Deutschland		11 864	4 215		9 409	851	26 340
Eesti	1 152	2 252				52	3 456
Ellas	3 697	9 420	6 458	635		210	20 420
España	3 543	21 054	1 583	4 955	3 522	559	35 217
France		3 191			10 257	872	14 319
Ireland				458	293	151	901
Italia		21 211	430	972	5 353	846	28 812
Kypros	213			399		28	640
Latvija	1 540	2 991				90	4 620
Lietuva	2 305	4 470				109	6 885
Luxembourg					50	15	65
Magyarország	8 642	14 248		2 031		386	25 307
Malta	284	556				15	855
Nederland					1 660	247	1 907
Österreich			177		1 027	257	1 481
Polska	22 176	44 377				731	67 284
Portugal	3 060	17 133	280	448	490	99	21 511
Slovenija	1 412	2 669				104	4 205
Slovensko	3 899	7 013			449	227	11 588
Suomi-Finland				545	1 051	120	1 716
Sverige					1 626	265	1 891
United Kingdom		2 738	174	965	6 014	722	10 613
Romania	6 552	12 661				455	19 668
Interregional						445	445
Technical Assistance							888
Total	68 578	199 322	13 855	11 408	43 558	8 723	347 410

Due to rounding, figures may not add-up exactly to the total shown

ANNEX III - Extract of the Budget Review

Cohesion policy and Europe 2020

Cohesion has proved one of the most successful ways for the Union to demonstrate its commitment to solidarity, while spreading growth and prosperity across the EU. The policy has positive effects for all: investing in the economies of the EU benefits all Member States. It provides investment for modernisation, galvanises growth in the least prosperous parts of the EU and acts as a catalyst for change in all Europe's regions. It increases markets and creates new business opportunities for the EU as a whole. When coupled with structural reform and macroeconomic stability, it can make a real contribution to growth. However, to ensure these benefits, cohesion funding must be accurately targeted so that its added value is maximised. This points to a disciplined concentration on the objectives of Europe 2020, and a rigorous concentration on results.

The earmarking of cohesion spending in 2007-2013 to the objectives of the Lisbon strategy has shown the benefits of using a variety of financial instruments to pursue overarching policy objectives. For the next period the Europe 2020 strategy provides both a clear set of common priorities, and a clear framework for identification of funding priorities. Europe 2020 allows a much greater concentration than in the past. Clear priorities could be fixed to deliver smart, sustainable and inclusive growth, with work on: support for new businesses; innovation; reducing emissions; improving the quality of our environment; modernising universities; energy saving; the development of energy, transport and telecommunication networks with a common EU interest; investment in research infrastructure; human capital development; and active inclusion to help the fight against poverty.

The explicit linkage of cohesion policy and Europe 2020 provides a real opportunity to both continue to help the poorer regions of the EU to catch up, and to develop further cohesion policy into an important enabler of growth for the whole of the EU. The National Reform Programmes offer the right vehicle to ensure that EU cohesion spending and national reform and spending priorities are working effectively in tandem.

Cohesion policy should become a standard bearer for the objectives of smart, inclusive and sustainable growth of the Europe 2020 strategy in all regions. This can be a powerful driver

for the policy, reinforcing the Treaty obligations of strengthening the Union's economic, social and territorial cohesion, so as to accelerate the process of reducing disparities between the levels of development of the different regions. As today, Community resources should be focused on the poorest regions and Member States in line with the Union's commitment to solidarity. Cohesion policy support is also important for the rest of the Union – to tackle issues like social exclusion or environmental degradation (for example in urban areas), to support economic restructuring and the shift to a more innovative and knowledge based economy, and to create jobs and improve skills. Particular attention needs to be paid to those regions which have not yet completed their process of catching up. A simple and fair system of transitional support would avoid an economic shock due a sudden drop of funding.

A number of adjustments to the current strategic programming are needed to increase the EU added value of strategic programming, through closer coordination between Europe 2020 and Cohesion Policy. This coordination requires clearer guidance at the European level, a more strategic negotiation process between partners at local and regional level, the Member State and the European Commission, and a proper follow-up of progress made. The result should be a common sense that Europe 2020 is driving policy at all levels, that all have ownership of actions to be undertaken in partnership by EU, national and regional levels.

Greater concentration and coherence

To maximize the impact of cohesion spending in the future, it will be necessary to ensure that Member States and regions concentrate EU and national resources on agreed EU priorities. This can be achieved by identifying a limited number of priorities of European importance, linked through the Europe 2020 Strategy to sectoral policy objectives. Such a "menu" of thematic priorities directly linked to the Integrated Guidelines and flagship projects of Europe 2020 would be presented in the legal instruments for cohesion, reflecting also the ability of cohesion policy to address different needs (such as from large infrastructure in some regions to small community led projects in deprived urban areas). Crosscutting priorities, such as innovation, would be obligatory. More developed regions could be required to allocate the entirety of the financial allocation available to two or three priorities, while less developed regions could devote their larger resources to a slightly wider range of priorities.

ANNEX IV

EU-Unterstützung für Kohäsion / EU support for Cohesion / Soutien de l'UE à la cohésion 2007-2013

Vorgesehene Mittel für Titel 1B "Kohäsion für Wachstum und Beschäftigung" des Finanzrahmens (in aktuelle Preisen)

Pre-allocated funding for heading 1B "Cohesion for growth and jobs" of the Financial Framework (in current prices)

Engagements pré-alloués pour la rubrique 1B "Cohésion pour la croissance et l'emploi" du cadre financier (à prix courants)

EUR million	2007	2008	2009	2010	2011	2012	2013	Total Insgesamt
BE	364,8	355,1	338,9	324,0	308,4	292,0	274,7	2.257,9
BG	514,2	737,4	991,8	1.044,1	1.116,2	1.188,6	1.260,6	6.852,9
CZ	3.062,7	3.736,7	3.640,9	3.809,5	4.057,2	4.225,3	4.396,4	26.928,7
DK	82,2	83,9	85,6	87,5	89,4	91,3	93,2	613,0
DE	3.664,8	3.696,9	3.729,7	3.763,1	3.796,3	3.828,5	3.860,5	26.339,8
EE	375,8	410,0	446,4	486,2	530,4	578,2	628,8	3.455,8
IE	211,6	180,7	148,5	115,0	80,1	81,8	83,5	901,4
EL	3.081,8	3.030,4	2.965,7	2.900,5	2.831,9	2.814,5	2.795,0	20.419,8
ES	6.286,2	5.754,6	5.190,3	4.713,8	4.449,8	4.426,4	4.395,8	35.217,0
FR	1.903,7	1.979,6	2.002,0	2.043,8	2.086,9	2.129,8	2.173,1	14.318,9
IT	3.926,5	4.107,2	4.066,8	4.098,6	4.132,6	4.204,6	4.275,4	28.811,8
CY	167,2	139,4	109,8	79,1	47,2	48,1	49,1	640,0
LV	506,3	554,2	603,9	655,7	710,4	766,4	823,6	4.620,4
LT	765,4	833,4	902,5	975,2	1.053,3	1.136,2	1.219,0	6.885,0
LU	8,8	8,9	9,1	9,3	9,5	9,7	9,9	65,3
HU	3.034,1	3.229,3	3.437,7	3.625,5	3.785,2	3.991,5	4.204,1	25.307,4
MT	112,9	118,7	119,8	122,6	125,1	127,2	129,1	855,4
NL	254,1	262,4	266,4	272,2	278,1	283,9	289,9	1.907,0
AT	201,8	204,0	206,3	208,7	211,1	213,5	215,8	1.461,1
PL	8.115,6	8.664,5	9.213,7	9.441,4	10.241,1	10.822,8	11.417,5	67.916,6
PT	2.971,5	3.005,0	3.038,7	3.072,6	3.106,7	3.140,8	3.175,0	21.510,6
RO	1.328,9	1.915,6	2.576,3	3.092,0	3.333,6	3.583,4	3.837,9	19.667,6
SI	554,6	569,3	584,5	600,0	615,9	632,2	648,9	4.205,3
SK	1.299,1	1.407,2	1.526,1	1.662,3	1.831,4	1.953,1	2.046,5	11.725,6
FI	259,8	257,6	251,9	245,9	241,1	234,4	225,7	1.716,2
SE	253,2	259,1	264,4	269,9	276,0	281,6	287,1	1.891,3
UK	1.593,6	1.598,7	1.533,5	1.489,3	1.442,8	1.465,9	1.489,3	10.613,2
Technische Hilfe Technical Assistance Assistance Technique	113,4	117,5	121,2	122,9	126,9	131,0	134,8	867,7
Interregional	46,4	49,5	54,9	62,7	70,9	77,0	83,3	444,7
Total Insgesamt	45.061,0	47.266,8	48.427,2	49.393,5	50.985,5	52.759,6	54.523,6	348.417,2

Hinweis: Zugeteilte Mittel pro Mitgliedstaat setzen sich zusammen aus den EFRE, ESF und Kohäsionsfonds zugeordneten Konvergenz, Kohäsion, regionaler Wettbewerbsfähigkeit & Beschäftigung und territorialer Zusammenarbeit.

Note: Allocations per Member State include all possible items under convergence, cohesion, regional competitiveness & employment and territorial cooperation, financed under the ERDF, ESF & Cohesion Fund.

Note: Les montants par Etat Membre incluent tout les éléments possibles de convergence, cohésion, compétitivité régionale & emploi et coopération territoriale, financés par le FEDER, le FSE et le fonds de Cohésion.

http://ec.europa.eu/regional_policy/afas2007/index_en.htm

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European Parliament – Directorate General for Internal Policies, Policy Department D – Budgetary Affairs, 2009. ERDF implementation in Germany, Spain and the United Kingdom. <http://www.europarl.europa.eu/studies>

European Parliament – Directorate General for Internal Policies, Policy Department D – Budgetary Affairs, 2010. Member State difficulties with Structural Funds and management and control systems in the programming period 2007-13. <http://www.europarl.europa.eu/studies>



Migration and Security

Exchange of views with
Cecilia Malmström,
Commissioner for Home Affairs

**SURE Committee Meeting
10 March 2011
Strasbourg**

Questions by the rapporteur on migration and security

In the presence of
Cecilia Malmström, Commissioner for Home Affairs

The share of funding for home affairs is relatively small but has been growing steadily in recent years. Home affairs are funded under Heading 3a "Freedom, Security and Justice", which represents 0,77% of the total EU budget under the current MFF.

Home affairs policies currently include security (prevention of and fight against terrorism and organised crime; police cooperation), migration (visa policy, integration, asylum) and management of the external borders including return.

Recent documents such as the Stockholm Programme and its Action Plan, as well as the Internal Security Strategy present the challenges and propose new initiatives in a number of areas under home affairs.

Is the current overall level of funding of home affairs policies sufficient?

What is the estimated level of resources needed to ensure further implementation of agreed actions and initiatives after 2013?

Are there activities for which funding could be decreased after 2013?

The external dimension of home affairs policies is currently supported through geographic and thematic external instruments under budget heading 4 "EU as global player". The Thematic Programme "Cooperation with Third Countries in the Area of Migration and Asylum" under the Development Cooperation Instrument (DCI) - programmed jointly by DG Home Affairs and DG RELEX- is the main instrument in support of the external dimension of migration and asylum policies. The Funds under Heading 3a of the EU budget do not allow for the funding of activities in third countries, except for some limited measures, namely reintegration assistance to returnees in third countries under the Return Funds.

Are the current instruments adequate to address the external dimension of home affairs policies, in particular migration and security? How should the external dimension of home affairs policies be funded?

The main instrument in support of home affairs activities is the **General Programme "Solidarity and management of migration flows"**, which contains 4 funds: the European Fund for the Integration of third country nationals, the European Refugee Fund, the External Borders Fund and the European Return Fund. These Funds are implemented under the shared management mode, whereby the Member States take responsibility for day-to-day management, although the Commission bears ultimate responsibility. The **General Programme on "Security and Safeguarding Liberties"** is the main instrument for funding in the area of internal security. It includes 2 Programmes:

"Prevention of and the fight against Crime" and "Prevention, Preparedness and consequence management of Terrorism and other Security-related risks", which are implemented under the centralised direct management mode whereby the budget implementation tasks are performed directly by the Commission.

Is the architecture of home affairs funding adequate? Should it be simplified, namely by reducing the number of financial instruments?

What should be management mode for the various financial instruments in the home affairs area?

Heading 3a covers home affairs financial programmes, as well as funding for large-scale IT systems and agencies, notably: FRONTEX, European Asylum Support Office, CEPOL, Agency for the operational management of large-scale IT Systems and Europol. In the Stockholm Programme and the Action Plan it is proposed to enable Agencies to respond to additional operational needs that go beyond their basic mandate for the implementation of EU's policies.

Is the level of funding of the various Agencies satisfactory?

Are the activities of the Agencies sufficiently responsive to meet the needs of EU Home Affairs policies?

Should they be able to go beyond their mandate to implement concrete projects?

FACTUAL BACKGROUND NOTE

on

CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE

for the meeting of the

**Special committee on the policy challenges and
budgetary resources for a sustainable European Union
after 2013**

10 March 2011

3 March 2011

EN

INTRODUCTION

The policies under Heading 3 are divided in two sub-headings:

- Sub Heading 3 A: policies related to the Area of Freedom, Security and Justice
- Sub Heading 3 B: Citizenship policies

This situation derives from the original institutional architecture of these policies. The policies of the Area of Freedom, Security and Justice were mainly decided on an intergovernmental basis, and consequently identified in a specific sub-heading (3 A), whereas the policies related to the notion of citizenship, such as youth, media, public health, culture, European citizenship... but subject to co-decision were gathered in another sub-heading (3 B).

This note will first examine Sub Heading 3 A, then will focus on Sub Heading 3 B.

THE AREA OF FREEDOM, SECURITY AND JUSTICE (SUB HEADING 3 A)

○ INTRODUCTION

1. Policies under this Sub Heading undertake to balance three different objectives, which are important to European citizens:
 - ensuring the security of European citizens, especially in a world of cross-border terrorism and criminal networks,
 - guaranteeing the protection of fundamental rights and the rule of law anywhere in the Union, and
 - guaranteeing freedom of movement of persons all over the Europe Union. The latter includes measures regarding immigration: on the one hand, prevention of the illegal immigration, and on the other hand, a better integration of legal migrants.
 - According to the Commission¹⁶⁶, "The working age population of the EU is projected to decline by 15%, or almost 50 million, by 2060 compared to 2008 figures. In 2007, 18.8 million third-country nationals were resident in the EU27, 3.8% of the total population. This trend is set to continue with migratory pressures likely to increase for the foreseeable future."
2. Institutionalised cooperation in the area of Justice and the Home affairs begun with the "Schengen agreement" in 1985, outside of the European Community framework. It was afterwards integrated in the Maastricht Treaty (1992) on an intergovernmental basis, before it became the area of Freedom, Security and Justice with the Amsterdam Treaty (1999). It was then organised in a double-pillar construction: the first pillar included immigration, asylum, visas and frontiers, whereas police and judiciary cooperation depended from the third pillar, where intergovernmental procedures applied.
3. Since the 1999 European Council, three five-year programmes have been adopted to develop and deepen the area: the Tampere (2000-2004), The Hague (2005-2009) and now the Stockholm programme¹⁶⁷ (2010-2014).
4. The Hague programme was drafted after the terrorist attacks on New York in 2001 and on Madrid in 2004. Harmonisation of Member States' legislations was defined as one of its objectives. Despite some achievements, some areas registered only mixed progress, due to a relatively young *acquis communautaire*, and a limited role of European institutions (cf. Annex IV for a list of its objectives and main achievements)
5. Some of these shortcomings were tackled by the Lisbon Treaty, where the ordinary legislative procedure was extended to most policies in the area (cf. Annex III)

¹⁶⁶ COM(2009)0263

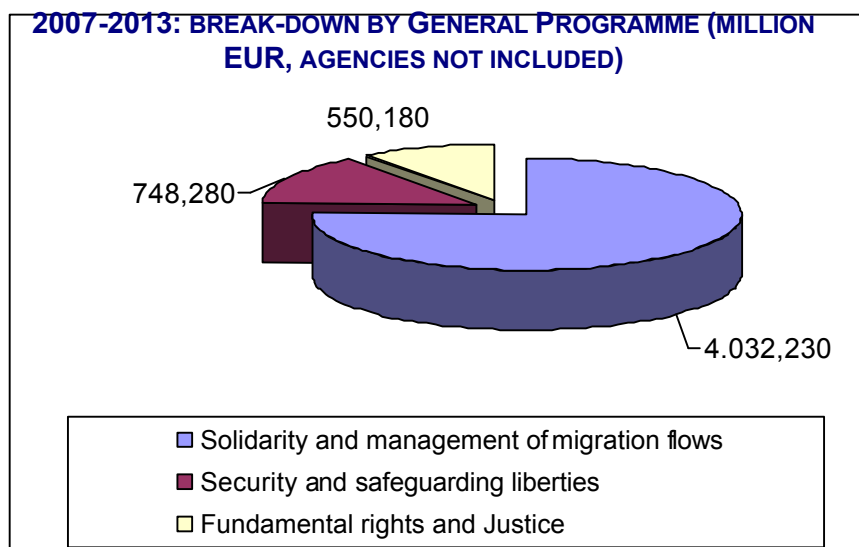
¹⁶⁷ 2010/C 115/01

6. However, according to the Commission, some of the lessons learned from the 2005-2009 experience¹⁶⁸ needed to be addressed by the Stockholm programme:
 - the need for a global approach to migration, under a comprehensive and balanced framework for dialogue and cooperation, capable of tackling economic, demographic, environmental and political changes
 - exploitation of new technologies
 - attention to implementation and enforcement, particularly at national level
 - improving the use of evaluation
 - complementing the internal policies through more external actions
7. The Stockholm programme is to be more pragmatic than the Hague programme. Acknowledging the reluctance of Member States to harmonise their policies in that field, it aims¹⁶⁹ rather at coordination, at enforcing the existing directives, and at developing technical support tools, such as information systems (cf. Annex IV).
8. The share of Sub Heading 3 A (Freedom, Security and Justice) is only 0.77% of EU budget but is the fastest-growing Heading of the MFF. According to the current financial programming, its yearly growth is 17.6% over the 2007-2013 period.

○ INSTRUMENTS OF THE AREA OF FREEDOM, SECURITY AND JUSTICE¹⁷⁰

The European Union's actions in the area are supported by three General Programmes.

1. "Solidarity and management of Migration flows" contains 4 funds, all linked to border control and migration, legal or illegal, two information systems and three agencies (cf. infra)
2. "Security and safeguarding Liberties" includes 2 funds, dedicated to prevent and fight terrorism and crime and two agencies (cf. infra)
3. "Fundamental rights and Justice" includes four programmes, promoting judicial cooperation in civil or criminal matters, or preventing violence against children and women, and three agencies (cf. infra)



(See Annex I for a comprehensive description of those General Programmes)

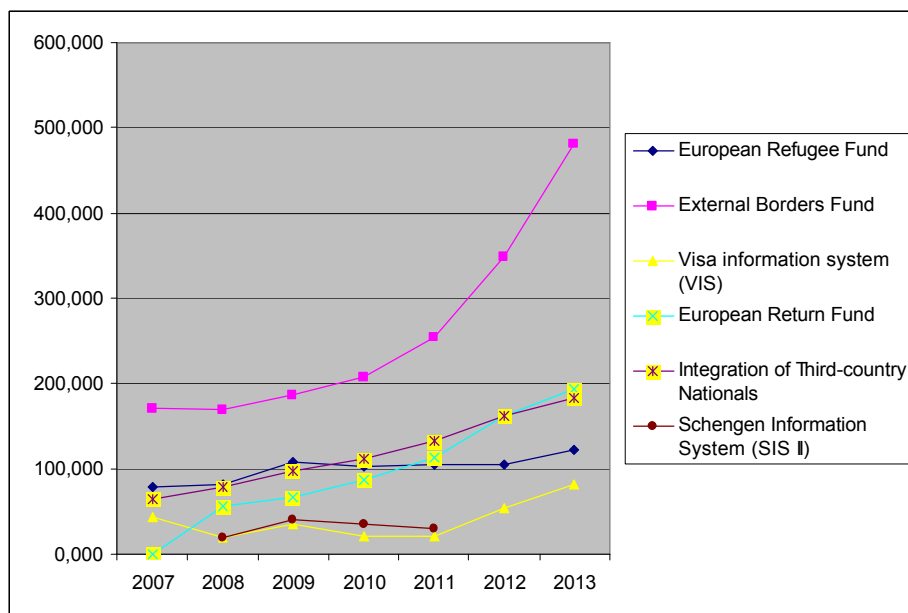
¹⁶⁸ COM(2009)0263

¹⁶⁹ 2010/C 115/01

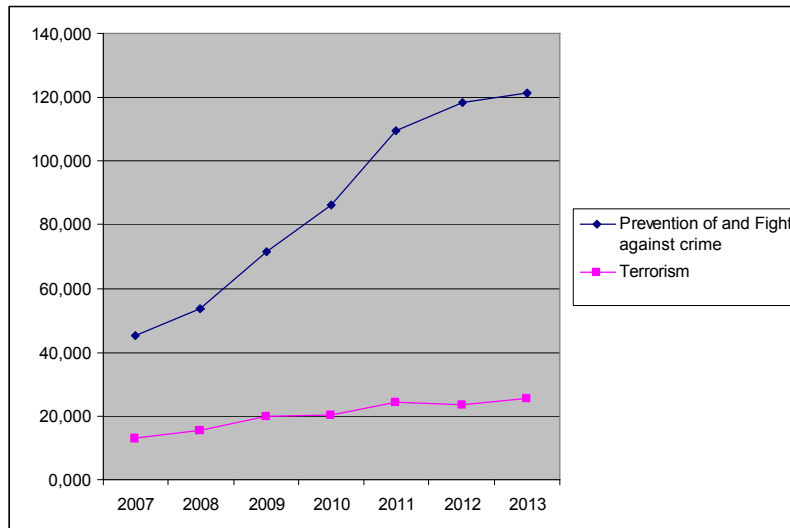
¹⁷⁰ unless otherwise specified, all the figures of this section are taken from the Commission's latest financial programming (24/01/11)

LATEST 2007-2013 FINANCIAL PROGRAMMING: BREAK-DOWN BY FUND (EUR MILLION):

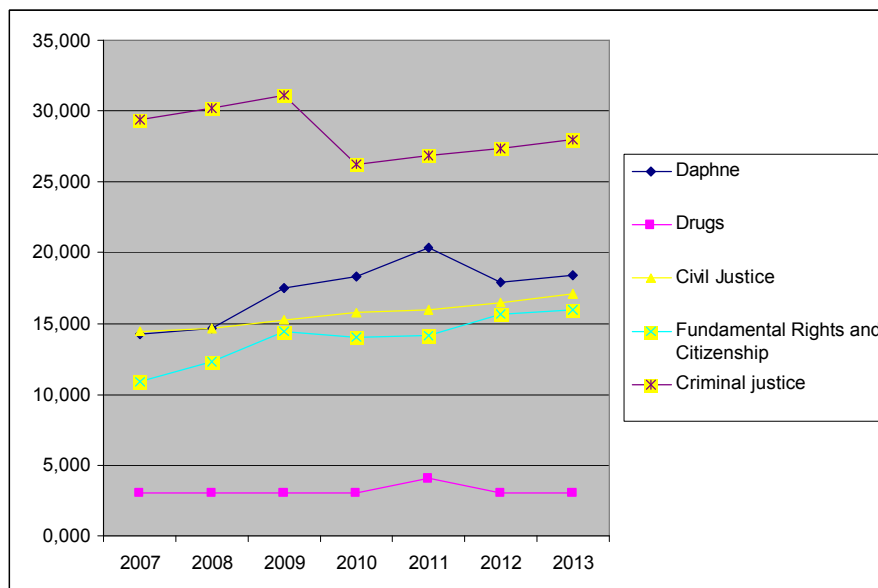
SOLIDARITY AND MANAGEMENT OF MIGRATION FLOWS



SECURITY AND SAFEGUARDING LIBERTIES



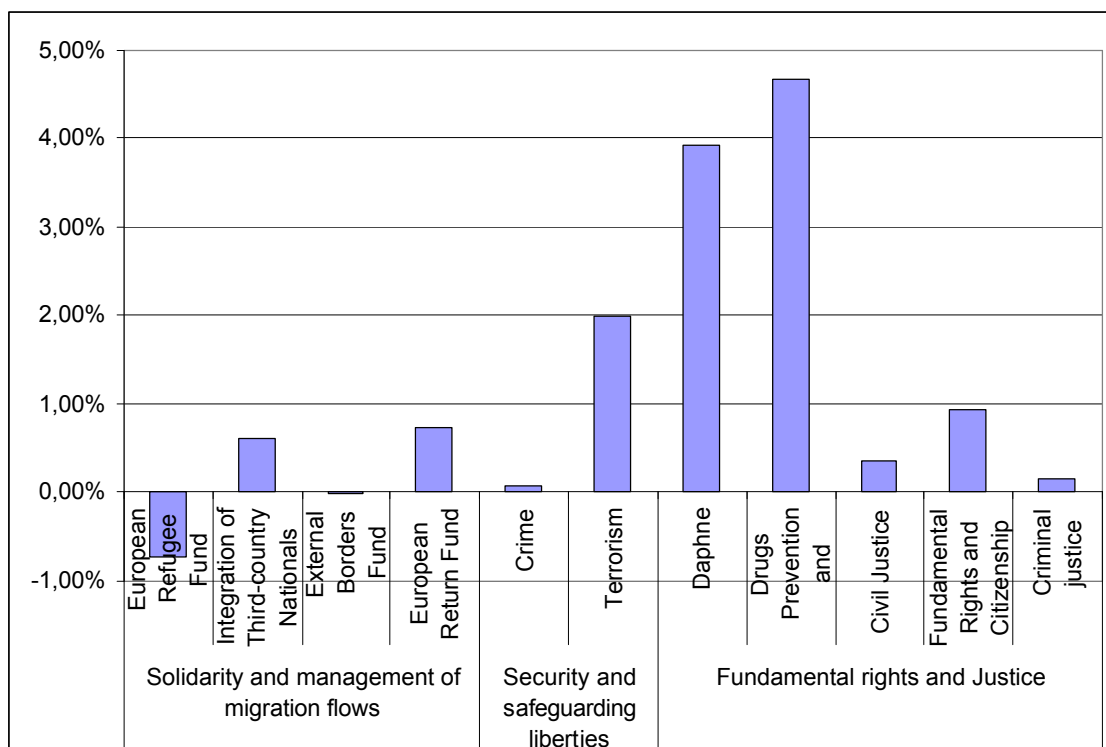
FUNDAMENTAL RIGHTS AND JUSTICE



The names of the funds have been shortened to improve the charts' clarity:

- "Crime" stands for "Prevention of and Fight against crime"
- "Terrorism" stands for "Prevention, Preparedness and Consequence Management of Terrorism"
- "Daphne" stands for "Fight against violence (Daphne)"
- "Third-country nationals" for "European Fund for the Integration of Third-country Nationals"

DIFFERENCES BETWEEN LATEST AND INITIAL 2007-2013 PROGRAMMING:



○ AGENCIES

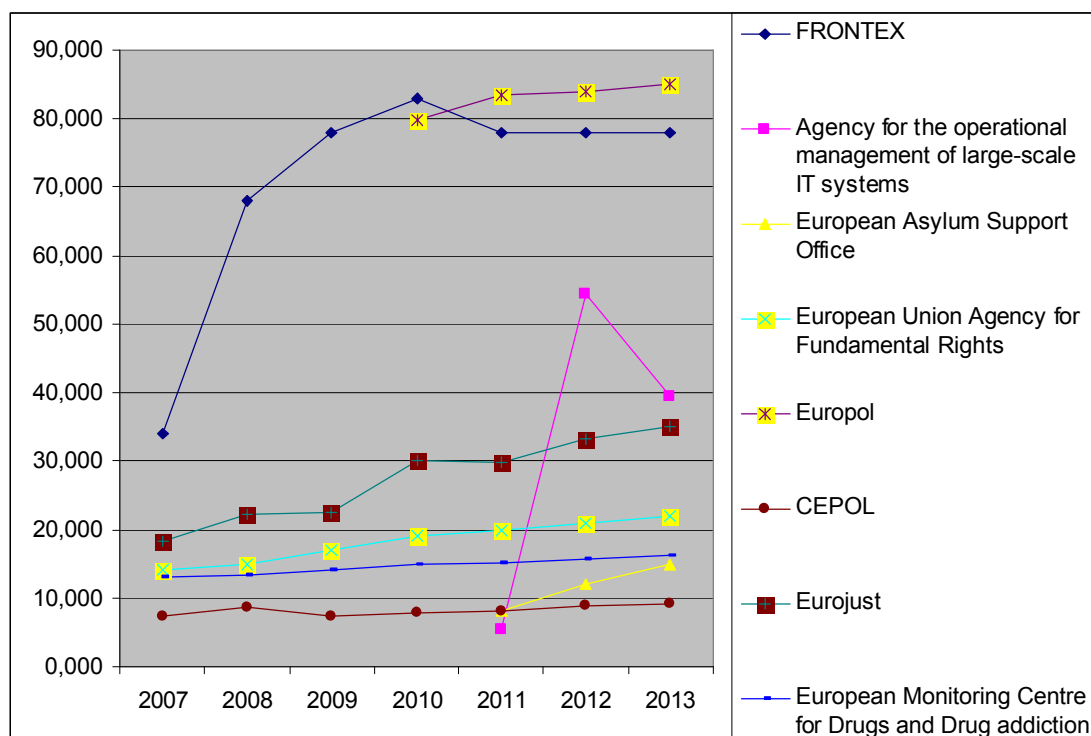
AGENCY	2011 BUDGET (€ MILLION)	MISSION AND BUDGETARY POINTS OF INTEREST
FRONTEX	78,000	<p>Coordination of operations involving border guards from different Member States, trainings, research, organisation of joint return operations</p> <p>Budget trends</p> <ul style="list-style-type: none"> constant increase since 2004, due to Member States' demands insufficient absorption rate¹⁷¹ 2011: stabilisation of budgetary increase <p>Evolution: a revision of Frontex' mandate¹⁷² is expected during the summer 2011, that adds new missions to the existing ones, such as the acquisition/lending of its own equipment and increased coordination capacities regarding return operations</p>
European Asylum Support Office	8,000	<p>Promotion of best practices regarding asylum conditions</p> <p>Budget trends: as a new (2010) and not fully operational agency. Its budget is EUR 8 million for 2011, and programmed to be EUR 12 000 million in 2012 and 15 000 million in 2013</p>
CEPOL	8,000	<p>Training for police officers</p> <p>OLAF investigation: the investigation revealed fraud at the management level. The Parliament refused the 2008 discharge</p> <p>Budget trends:</p>

¹⁷¹ Agency discharge for financial years 2006, (T6-0158/2008), 2007 (T6-0268/2009), and 2008 (T7-0118/2010)

¹⁷² COD(2010)/0039

AGENCY	2011 BUDGET (€ MILLION)	MISSION AND BUDGETARY POINTS OF INTEREST
		<ul style="list-style-type: none"> ▪ The Commission is considering adding "Erasmus for policemen" to the current Cepol mission, which could led to an increase in the agency's budget. ▪ However, the CONT committee has addressed a letter¹⁷³ to the Commission raising the question of the future of the agency
Agency for the operational management of large-scale IT Systems	5,450	Created in 2010, in charge of the operational management of the IT systems (SIS, Eurodac, VIS cf. Annex I)
Europol	83,469	Created in 1992, support of Member States' actions, promotion of cooperation
European Union Agency for fundamental rights	20,000	Assistance and expertise to the European Union and its Member States when they are implementing Community law, on fundamental rights matters
Eurojust	29,776	Promotion of cooperation agreements allowing the exchange of judicial information and personal data.
European monitoring Centre for Drugs and Drug addiction	15,170	Collection and analysis of factual, objective, reliable and comparable information at European level concerning drugs and drug addiction and their consequences

YEARLY GROWTH OF THE AGENCIES BUDGET IN THE LATEST 2007-2013 FINANCIAL PROGRAMMING:



○ THE COMMISSION'S CONSULTATION, OPEN FROM 5 JANUARY TO 3 MARCH

¹⁷³ this letter reference the agency discharge report (P7-TA2010 0348)

2011

The Commission opened a **public consultation on EU funding** in the area of home affairs after 2013, which raises the following questions:

- **Simplification:** following the lessons learned from the structural funds, simplification and synergy can increase efficiency in Sub Heading 3 A. This can especially apply to the four funds of the General Programme "Solidarity and management of migration flows". Besides the consultation states that this lesson should be taken into account in the design of new funds.
- **Management mode:** "Security and Safeguarding Liberties" funds are subjected to centralised direct management mode. This result in a **too heavy administrative workload** for the Commission, according to the latter.
- **External actions:** the funds of Sub Heading 3 A **can only be used for actions inside of the Union**. External actions are currently supported by the instruments of Heading 4, "EU as global player". According to the Commission, they are not designed to support primarily the external dimension of home affairs policies.

○ LATEST EUROPEAN PARLIAMENT'S RESOLUTIONS

Following the communication of the Commission on the Action Plan to implement the Stockholm Programme¹⁷⁴, the JURI Committee has adopted a resolution of the 23 November 2010¹⁷⁵, calling for the creation of a European Judicial Academy. Its ground would be prepared by providing sufficient funding for the various European legal organisations that coordinate and promote professional training for the judiciary and mutual understanding of other Member States' legal systems.

CITIZENSHIP (SUB HEADING 3 B)

1. Sub Heading 3 B includes all actions related to the notion of citizenship apart from those related to freedom, security and justice (for a comprehensive list, see Annex II):
 - Europe for citizens: promotes citizenship values as well as EU policies' visibility
 - Youth
 - Culture
 - Public health
 - Community action in the field of consumer policy
 - Civil Protection Financial Instrument
2. Except the Civil Protection Financial Instrument, all programmes and actions related to Citizenship are decided according to the **ordinary legislative procedure**.
3. The Solidarity Fund of the European Union is included in the Citizenship Sub Heading but not under the MFF ceiling.
4. Sub Heading 3 B (Citizenship) represents less than 0.50% of EU budget, but its spending are of **high visibility**

○ INSTRUMENTS OF THE CITIZENSHIP SUB HEADING¹⁷⁶

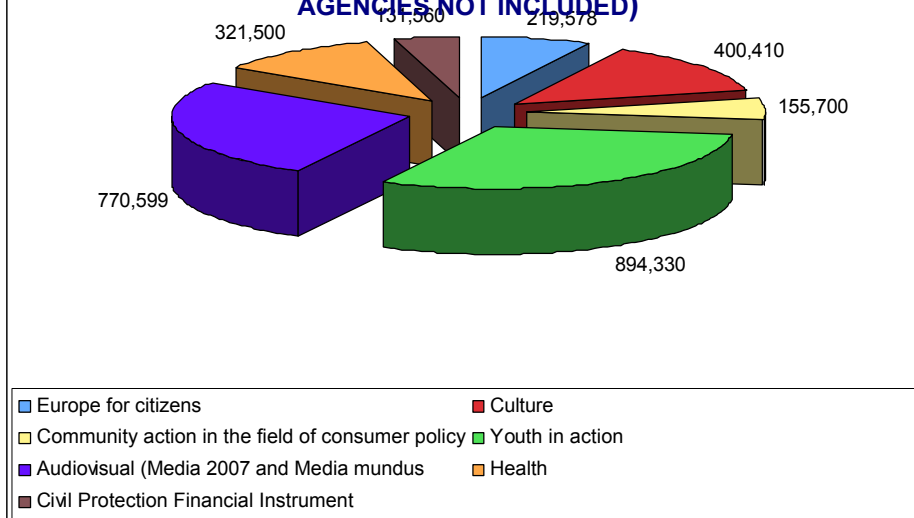
EU actions are supported by 7 programmes and 2 agencies (cf. infra).

¹⁷⁴ COM(2010)0171

¹⁷⁵ T7-0426/2010 on "civil law, commercial law, family law and private international law aspects of the Action Plan Implementing the Stockholm Programme"

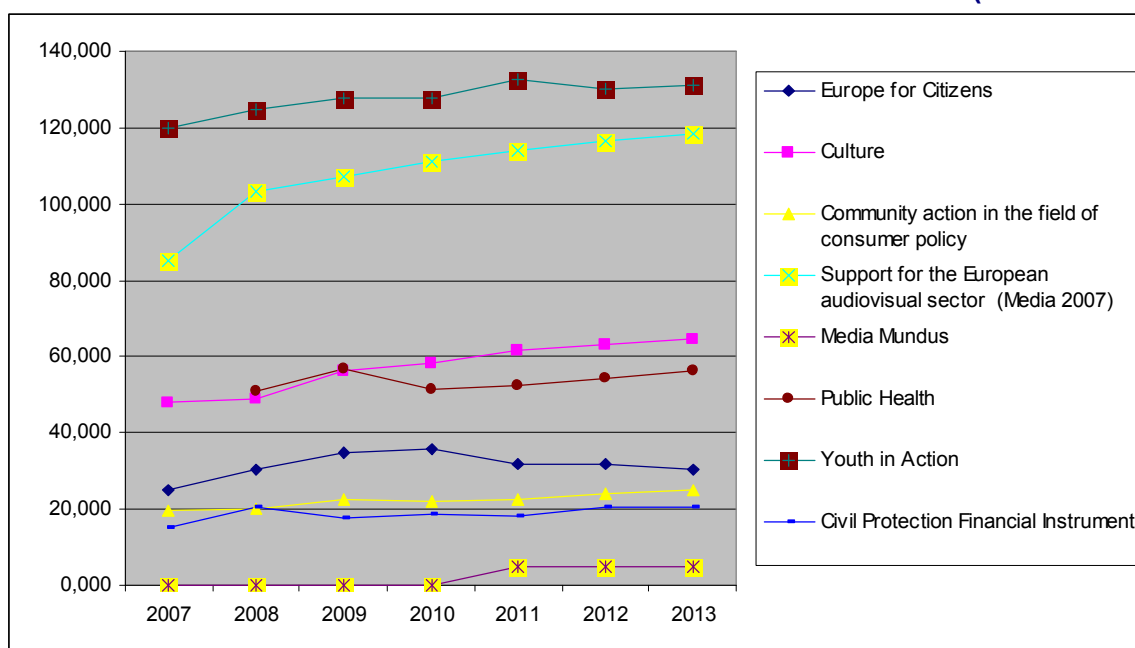
¹⁷⁶ unless otherwise specified, all the figures in this section come from the Commission's latest financial programming (24/01/11)

2007-2013: BREAK-DOWN BY PROGRAMME (EUR MILLION, AGENCIES NOT INCLUDED)

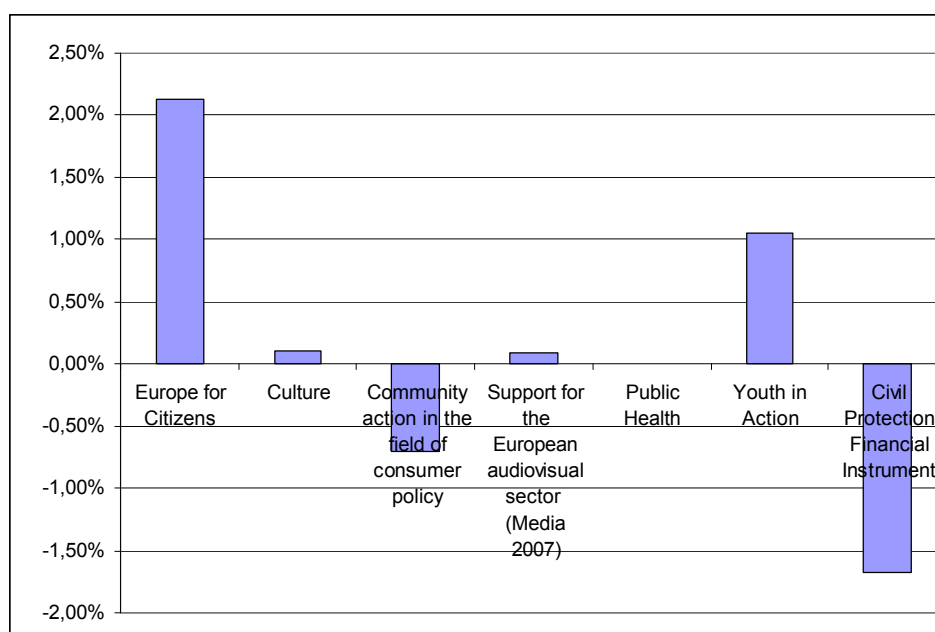


(See Annex II for a comprehensive description of these programmes)

LATEST 2007-2013 FINANCIAL PROGRAMMING: BREAK-DOWN BY FUND (EUR MILLION)



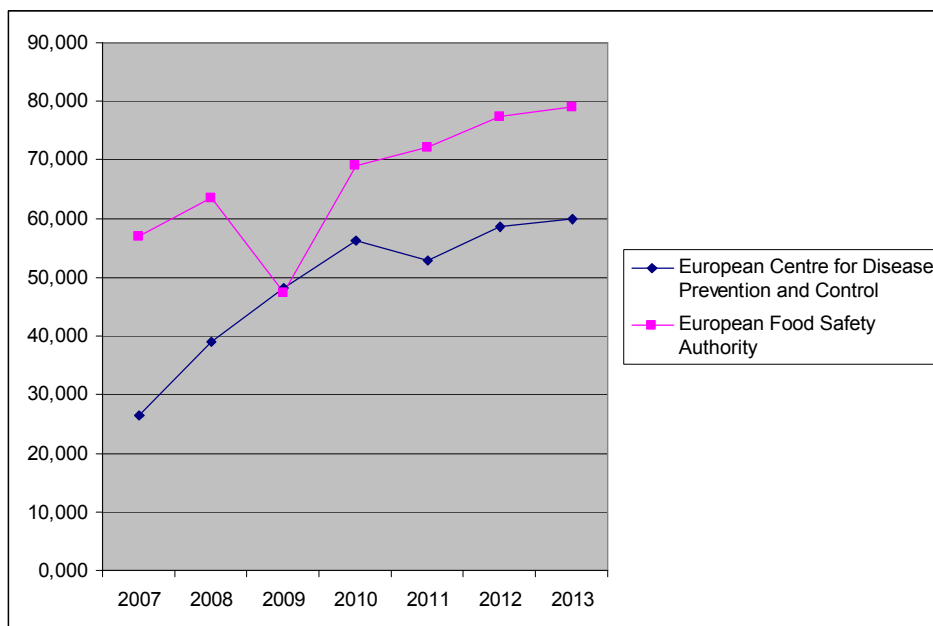
DIFFERENCES BETWEEN LATEST AND INITIAL 2007-2013 FINANCIAL PROGRAMMING



○ AGENCIES

AGENCY	2011 BUDGET (€ MILLION)	MISSION AND BUDGETARY POINTS OF INTEREST
European Centre for Disease Prevention and Control	78,000	<p>Identification, assessment and communication of current and emerging threats to human health posed by infectious diseases</p> <p>Discharge: resolutions for years 2007 and 2008 pointed out a carry-over rate of more than 40%, demonstrating weaknesses in the programming and subsequent implementation of the Centre's budget</p> <p>2011: the appropriations of the Centre are EUR 3,5 million lower than in 2010 (52,770 compared to 56,255)</p>
European Food Safety Authority	8,000	<p>Risk assessment and communication regarding food and feed safety</p> <p>Discharge: resolutions for years 2007 and 2008 pointed out a carry-over rate of more than 20%, demonstrating weaknesses in the programming and subsequent implementation of the Centre's budget.</p>

YEARLY GROWTH OF THE AGENCIES BUDGET IN THE LATEST 2007-2013 PROGRAMMING:



○ COMMISSION'S LATEST INITIATIVE REGARDING CITIZENSHIP

1. **Youth in action:** this programme could be reviewed under the next Multiannual Financial Framework, following the initiative issued by the Commission, called "**Youth on the move**"¹⁷⁷. This initiative is in line with the 2020 Strategy, and will promote education, especially higher education, mobility and youth employment. Culture and Education committee's first reading is forecast for the 12 April, 2011.

○ CULT COMMITTEE DRAFT OPINION

The CULT Committee is currently working on a Draft Opinion¹⁷⁸ on the policy challenges and budgetary resources for a sustainable European Union after 2013, that:

1. Notes that the existence of small headings, such as heading 3b in the current MFF, hampers reallocation of funds between programmes; urges that small headings and sub-headings be avoided in the next MFF (point 1)
2. Underlines the importance of striking the right balance between predictability and flexibility in multi-annual expenditure; believes that a 7-year MFF would achieve this; considers that a 5+5-year MFF might also be satisfactory, provided that it included a comprehensive mid-term review with full involvement of the Parliament (point 2)
3. Recalls that the current education, youth, media and culture funding programmes generate European added value by pooling resources and enhancing cooperation; notes that they correspond closely to the needs of the sectors concerned, have high implementation rates and produce noticeable leverage and spill-over effects (point 3)
4. Recalls that one of the five Europe 2020 headline targets is to reduce the share of early school leavers to less than 10% and to increase that of the younger generation with a degree or diploma to at least 40%; underlines that education, training and youth mobility are essential for creating and safeguarding jobs and reducing poverty, and are thus crucial for both Europe's short-term recovery and longer-term growth and productivity; considers that EU programmes play an important role in steering national policies in the direction agreed at inter-governmental level and towards the targets of the Europe 2020 strategy; recalls that EU policy initiatives have contributed to modernising education and training policies and institutions within the Member States (point 4)

¹⁷⁷ COM(2010)0477

¹⁷⁸ 2010/2211(INI)

5. Stresses the importance of the cultural, creative and media sectors in achieving Europe 2020 targets on employment, productivity and social cohesion; notes that, beyond their direct contribution to GDP, these industries have a positive spill-over effect in other sectors of the economy such as tourism and digital technologies; considers that EU policy initiatives and programmes in these areas have demonstrable "European added value" (point 5)
6. Notes that EU education, youth, media and culture programmes are successful in that they enjoy high implementation rates and generate clear European added value and believes that there are good arguments for increasing the resources devoted to them; underlines the importance of linking allocation of resources more closely to take-up (point 14)
7. Calls for adequate funding for an ambitious programme in the field of sport, in line with the new responsibilities of the Union in this area (point 15)
8. Underlines the importance of maximising synergies and multiplier effects between different parts of the budget, in particular between structural policies on the one hand, and lifelong learning, youth and cultural projects on the other (point 16)

ANNEX I: OVERVIEW OF SUB HEADING 3 A (FREEDOM, SECURITY AND JUSTICE) INSTRUMENTS

SOLIDARITY AND MANAGEMENT OF MIGRATION FLOWS INSTRUMENT	2007-2013 (MILLION €)	COUNCIL ONLY	TYPE OF ACTIONS
European Fund for the Integration of Third-country nationals	830,000	X	Provision of integration measures such as language courses, courses of civic orientation, pre-departure measures in third countries
External Borders Fund	1 819,600		Border control infrastructure at external border, national components of SIS/VIS
European Refugee Fund	701,630		Capacity building (procedures, infrastructure), integration of refugees, resettlement, emergency measures
European Return Fund	681,000	X	Voluntary & forced return, including joint return operations, cooperation between return agencies
FRONTEX (agency)	496,980		Coordination of joint return operations
Agency for the operational management of large-scale IT Systems (agency)	99,350		Operational management of SIS, VIS and Eurodac
European Asylum Support Office (agency)	35,000		Transnational cooperation on asylum, common portal on Country of Origin information, support Member States under particular pressure
Schengen Information System (SIS)	150,900		Development SIS (EU component)
Visa information system (VIS)	278,230		Development VIS (EU component)
Eurodac IT system	15,500	X	Implementation of Dublin II Regulation (comparison of fingerprints)
European Migration network	49,300		Provide up-to-date, objective information on asylum & migration to support policy making
Total^(*)	5 157,490		

(*) including agencies

SOLIDARITY AND MANAGEMENT OF MIGRATION FLOWS	DIFFERENCE, IN PERCENT, BETWEEN THE INITIAL PROGRAMMING AND CURRENT PROGRAMMING
European Fund for the Integration of Third-country nationals	0,60%
External Borders Fund	-0,02%
European Refugee Fund	-0,74%
European Return Fund	0,73%

SECURITY AND SAFEGUARDING LIBERTIES INSTRUMENT	2007-2013 (MILLION €)	COUNCIL ONLY	TYPE OF ACTIONS
Prevention, preparedness & consequence management of terrorism	142,170	X	Critical infrastructure protection, reducing CBRN threats: risk assessment, development of security standards
Prevention of and fight against crime	607,360	X	Development of horizontal approaches, cooperation between law enforcement authorities, development and exchange of best practices
Europol (agency)	332,190		Support and strengthen actions of competent public authorities in MS in their fight against organised crime and terrorism
European Police College (agency)	57,740		Training for police officers
Total^(*)	1 139,460		

^(*) including agencies

SECURITY AND SAFEGUARDING LIBERTIES	DIFFERENCE, IN PERCENT, BETWEEN THE INITIAL PROGRAMMING AND CURRENT PROGRAMMING
Prevention, preparedness & consequence management of terrorism	1,98%
Prevention of and fight against crime	0,08%

^(*) This figure has been calculated against the financial years 2008 - 2013, following the change brought by the Lisbon Treaty

FUNDAMENTAL RIGHTS AND JUSTICE INSTRUMENT	2007-2013 (MILLION €)	COUNCIL ONLY	TYPE OF ACTIONS
Fundamental rights and citizenship	97,400	X	Active promotion of fundamental rights
Civil justice	109,700		
Criminal justice	199,300	X	
Daphne III (fight against violence)	121,430		Prevention of, and fight against, violence against children and women, including human beings trafficking.
European Union Agency for fundamental rights (agency)	128,100		
Eurojust (agency)	191,394		
European monitoring Centre for Drugs and Drug addiction (agency)	102,370		
Drugs prevention and information	22,350		
Total^(*)	972,044		

^(*) including agencies

FUNDAMENTAL RIGHTS AND JUSTICE	DIFFERENCE, IN PERCENT, BETWEEN THE INITIAL PROGRAMMING AND CURRENT PROGRAMMING
Fundamental rights and citizenship	0,93%
Civil justice	0,36%
Criminal justice	0,15%
Daphne III (fight against violence)	3,92%
Drug prevention and information	4,68%

ANNEX II: OVERVIEW OF SUB HEADING 3 B (CITIZENSHIP) INSTRUMENTS

CITIZENSHIP INSTRUMENT	2007-2013 (MILLION €)	COUNCIL ONLY	TYPE OF ACTIONS
Europe for Citizens	219,578		Promotion of active citizenship and of a sense of European identity, based on values and tolerance
Culture	400,410		Support of cultural actions, bodies and studies
Community action in the field of consumer policy	155,700		
Support for the European audiovisual sector (Media 2007)	755,599		To favour cultural role of audiovisual, economically support: - the acquisition and improvement of skills - the development, distribution and promotion of European audiovisual work - pilot project to adjust the production to market developments
Support for the European audiovisual sector through cooperation with third countries (Media Mundus)	15,000		Support to the political and cultural role of Europe in the world: information exchange, competitiveness, distribution and circulation
Public Health	321,500		- improvement of citizens' health (risk detection and management) - health promotion - knowledge generation and dissemination
Youth in Action	894,330		Promotion of young people's active citizenship, mobility and tolerance: - Youth for Europe (exchanges, mobility) - European voluntary service - Youth in the world - Youth support systems - Support for European cooperation in the youth field
Civil Protection Financial Instrument	131,560	X	Financial assistance as a contribution to improving the effectiveness of response and to enhancing preventive and preparedness measures
European Centre for Disease Prevention and Control (agency)	341,225		
European Food Safety Authority (agency)	465,714		
Total^(*)	3 700,616		

^{*)} including agencies

CITIZENSHIP	DIFFERENCE, IN PERCENT, BETWEEN THE INITIAL PROGRAMMING AND CURRENT PROGRAMMING
Europe for Citizens	2,13%
Culture	0,10%
Community action in the field of consumer policy	-0,70%
Support for the European audiovisual sector (Media 2007)	0,08%
Support for the European audiovisual sector through cooperation with third countries (Media Mundus)	0,00%
Public Health	0,00%
Youth in Action	1,05%
Civil Protection Financial Instrument	-1,67%

ANNEX III: LIST OF ARTICLES COMING UNDER ORDINARY LEGISLATIVE PROCEDURE IN CHAPTER V TFEU, FREEDOM, SECURITY AND JUSTICE

CHAPTER	DESCRIPTION	ARTICLE
Chapter 2 – Policies on Border Checks, Asylum and Immigration	Measures concerning border checks	Article 77, paragraph 2
	Measures concerning a common European asylum system	Article 78, paragraph 2
	Measures concerning a common immigration policy.	Article 79, paragraphs 2 and 4
	Measures to provide incentives and support for the action of Member States with a view to promoting the integration of third-country nationals residing legally on their territories excluding any harmonisation measure	
Chapter 3 – Judicial Cooperation in civil matters	Measures concerning the judicial cooperation in civil matters having a cross-border dimension	Article 81, paragraph 2
Chapter 4 – Judicial Cooperation in criminal matters	Measures concerning the judicial cooperation in criminal matters.	Article 82, paragraphs 1 and 2
	Directives concerning the minimal rules in terms of mutual recognition of judgements and judicial decisions as well as police and judicial cooperation in criminal matters having a cross-border dimension.	
	Directives establishing minimal rules concerning the definition of criminal offences and sanctions in the areas of particularly serious crime with a cross-border dimension (terrorism, trafficking in human beings and sexual exploitation of women and children, illicit drug and arms trafficking, money laundering, corruption, counterfeiting of means of payment, computer crime and organised crime).	Article 83, paragraphs 1 and 2
	Directive establishing minimal harmonisation rules with regard to the definition of criminal offences and sanctions in the area concerned. Remark: These directives are adopted by a specific legislative procedure if this procedure was used for the adoption of existing harmonisation measures in question	
	Measures to promote and support the action of Member States in the field of crime prevention excluding any harmonisation measure	Article 84
	Regulations concerning Eurojust's structure, operation, field of action and tasks	Article 85, paragraph 1
Chapter 5 – Police Cooperation	Measures concerning the police cooperation (collection and exchange of information, training of staff, common investigative techniques)	Article 87, paragraph 2
	Regulations concerning Europol's structure, operation, field of action and tasks	Article 88, paragraph 2

ANNEX IV: INSTITUTIONAL HISTORY OF THE AREA OF FREEDOM, SECURITY AND JUSTICE

ACT	CONTENT	INSTITUTIONAL ASPECTS
Schengen Agreement 1985	First concrete step toward police and judiciary cooperation between Member States	Outside of the European Community framework
Maastricht Treaty 1992	Collaboration between Member States is organised on a specific basis: the third pillar	Inside the European Framework, the third pillar is established on an intergovernmental basis
Amsterdam Treaty 1997	The achievement of an area of Freedom, Security and Justice is defined as a European objective	The Home affairs policy is organised on a two-pillar construction: <ul style="list-style-type: none"> ▪ 1st pillar: immigration, asylum, visas and frontiers ▪ 3rd pillar: police and judiciary cooperation (intergovernmental procedure)
The Tampere programme 2000		
The Hague Programme 2005	It was drafted in response to the terrorist attacks on New York in 2001 and on Madrid in 2004. Described as ambitious, harmonisation of Member States' legislations was defined as one of its objectives	
	The programme defined 10 priorities: <ul style="list-style-type: none"> ▪ Strengthening fundamental rights and citizenship ▪ Anti-terrorist measures ▪ Defining a balanced approach to migration ▪ Developing integrated management of the Union's external borders ▪ Setting up a common asylum procedure ▪ Maximising the positive impact of immigration ▪ Striking the right balance between privacy and security while sharing information ▪ Developing a strategic concept on tackling organised crime ▪ A genuine European area of justice ▪ Sharing responsibility and solidarity 	
	Examples of achievements ¹⁷⁹ : <ul style="list-style-type: none"> ▪ lifting controls at internal borders between 25 countries ▪ creation of Frontex ▪ introduction of new technology in the field of border management 	

¹⁷⁹ COM(2009)0263

ACT	CONTENT	INSTITUTIONAL ASPECTS
	<ul style="list-style-type: none"> instruments to enhance the protection of critical EU infrastructures (railways, electricity facilities, ...) European Arrest Warrant 	
	<p>Examples of mixed progress¹⁸⁰:</p> <ul style="list-style-type: none"> slow progress regarding mutual recognition in criminal matters and police cooperation the framework decision on procedural rights was not adopted many directives are not fully implemented in the Member States the adoption of a common immigration and asylum policy by 2012 was one of the main objectives, but today is not expected to happen 	
The Lisbon Treaty 2009	It addressed some of the previous shortcomings, by introducing qualified majority at the Council and ordinary legislative procedure for most of the articles of the Freedom, Security and Justice policy (cf. Annex III)	
The Stockholm programme 2010	It is more pragmatic than the Hague programme. Acknowledging the reluctance of Member States to harmonise their policies in that field, it aims rather at coordination , at enforcing the existing directives , and at developing technical support tools , such as information systems	
	<p>The programme defines the following priorities:</p> <ul style="list-style-type: none"> Europe of rights Europe of justice Europe that protects access to Europe Europe of solidarity Europe in a globalised world 	

¹⁸⁰ COM(2009)0263



Climate change

Exchange of views with
Jos Delbeke,
Director General for Climate Action, European Commission,

**SURE Committee Meeting
10 March 2011
Strasbourg**

Questions by the rapporteur

EU Climate change objectives

The European Parliament has stressed repeatedly that the future MFF should put emphasis on a high ranking for climate change policies, and that the climate change objectives should be integrated into other EU policies. In addition, it suggests a climate-proofing procedure in order to ensure that EU expenditure does not produce undesired negative effects which would undermine the climate policy objectives¹⁸¹.

How much specific funding will be necessary in order to achieve the climate targets enshrined in the EU 2020 strategy? How is conditionality involved?

Which steps has the Commission undertaken to date in order to prepare and facilitate the necessary mainstreaming of climate policy in other relevant policy areas in the future MFF?

How does the preparatory action 07 13 03 on "Mainstreaming climate action and adaptation" contribute to this effort?

International agreements

The Copenhagen Accord from December 2009 foresees that that developed countries would raise "new and additional" funds of \$30 billion from 2010-2012. The EU will provide €7,2 billion in this context, mainly through the Member States. For the following years, the parties set a "goal" to raise \$100 billion per year by 2020 to help developing countries cut carbon emissions and to adapt to the effects of climate change.

In how far should the EU budget contribute to the future international commitments? Should the EU contribution continue to be provided through Member States' budgets, allocated on the basis of national decisions?

Rural development

In November 2008, the EU adopted the "Health Check" for the CAP, designed to modernise the CAP and to face new challenges such as climate change, renewable energies or water management. Approximately € 5 billion were made available to face the new challenges and to establish broadband internet access in rural areas. The Member States decided to allocate 14,2 % of these additional funds to climate change (€ 0,7 billion), which constitutes less than 1 % of the total budget for rural development (€ 95 billion).

¹⁸¹ European Parliament [resolution of 6 May 2010](#) on the Commission White Paper: 'Adapting to climate change: Towards a European framework for action'

Given the demands on EU agriculture to further contribute to mitigating climate change and reduce the GHG emissions from agricultural activity, which additional measures are necessary to curb agricultural emissions? Which proportion of the EARDF should be allocated for climate action?

Life +

The LIFE + programme, which runs from 2007-2013 and has a budget of €2.143 billion, of which only a small percentage is budgeted for climate action (under Chapter 07 12)

Which contribution should the successor of LIFE+ deliver to EU climate policies post2013? Which proportion of its multi-annual budget should be allocated to climate action?

Research

The current European Research Framework Programme (FP7) has a total budget of €50,5 billion. 134 projects representing an overall budget of €543 million are focussing on climate research¹⁸².

Which role should climate change policy play in FP8 ? Which proportion of its multi-annual budget should be earmarked for climate action?

¹⁸² European Research Framework Programme: [Research on Climate Change](#)

FACTUAL BACKGROUND NOTE

on

CLIMATE CHANGE

for the meeting of the

**Special committee on the policy challenges and
budgetary resources for a sustainable European Union
after 2013**

10 March 2011

8 March 2011

EN

INTRODUCTION

1. The impact of climate change has been progressively recognized, and is now a prominent topic on the European and international agenda. An increase in temperature by more than 2 degrees compared to the pre-industrial era could bring important negative consequences, especially on energy consumption and security, on food production, on the stability of eco-systems, of water stress, ¹⁸³
2. The European Parliament¹⁸⁴ and the Council¹⁸⁵ have consistently defined the containment of global warming under 2 degrees as an objective. In order to achieve this objective, policies to reduce the sources or enhance the reduction of greenhouse gases (**mitigation** policies) have to be implemented.
3. In its "climate and energy package", the EU has set to achieve a 20-20-20 target, which is an essential cornerstone of the EU 2020 Strategy¹⁸⁶:
 - emission of green house gases shall be reduced by 20% for 2020 compared to 1990 levels; the Parliament proposed¹⁸⁷ to reinforce the reduction up to 30%
 - consumption of primary energy shall be reduced by 20% compared to projections, to be achieved by improving energy efficiency
 - renewable energy shall account for 20% of consumption
4. However, even an increase in global temperature by 2 degrees will impact on a number of sectors¹⁸⁸, such as agriculture, health, biodiversity, energy, tourism, water resources management or aquaculture. The scale of those impacts will greatly vary from one region to another¹⁸⁹. Therefore, **adaptation** to global warming shall also be addressed by the European policies.
 - *The European Parliament has welcomed¹⁹⁰ the framework for action related to climate change adaptation proposed by the Commission¹⁹¹. It emphasizes the need to develop a **knowledge base** regarding the present and future impact of climate change, and to **mainstream adaptation** into EU policies so as to **increase the resilience** of health and social policies, agriculture and forests, biodiversity and ecosystems, water, coastal and marine areas, production systems and physical infrastructures.*
5. Furthermore, climate change is a global issue, which cannot be fought at EU level alone. The European Parliament has recognised¹⁹² the historical responsibility borne by the industrialised countries for the current increase in global temperatures and insisted that EU commitments to finance climate efforts in developing countries should be new and additional to existing Official development assistance commitments and independent of annual budgetary procedures in the Member States. As a consequence climate change policy ought to have an **external dimension**, both for mitigation and adaptation.
6. Therefore, this note distinguishes between instruments dedicated to climate change mitigation and adaptation both at the Union level (section 2.2 and 2.3) as well as international level (section 2.4)

¹⁸³ SEC(2005) 180

¹⁸⁴ P7_TC1-COD(2009)0173

¹⁸⁵ 15265/1/0

¹⁸⁶ The 20-20-20 target is one of its five targets (http://ec.europa.eu/europe2020/targets/eu-targets/index_en.htm)

¹⁸⁷ P7_TA(2010)0019

¹⁸⁸ COM(2009)147

¹⁸⁹ P7_TA(2010)0154 on "Commission White Paper: 'Adapting to climate change: Towards a European framework for action'"

¹⁹⁰ P7_TA(2010)0154

¹⁹¹ COM(2009)147 "Adapting to climate change: Towards a European framework for action"

¹⁹² P7_TA(2010)0154

7. The implementation of climate change policy can be pursued in two different ways: through **specific instruments**, or through **mainstreaming** of existing European policies.
8. The Commission estimated¹⁹³ total costs for implementation of the European climate change and energy policy to be less **than 0.5% of EU's GDP per year**, i.e. approximately **EUR 60 billion**. However, the share of this cost to be born at EU level versus national level has not yet been assessed in an official communication.
9. Implementation of climate change policy at union level could trigger European added value¹⁹⁴ with regard to the:
 - transnational dimension
 - consistency with European objectives
 - exchange of experiences and learning on a European level
 - economies of scale

INSTRUMENTS DEDICATED TO CLIMATE CHANGE

- METHODOLOGICAL DIFFICULTIES

1. Currently no specific heading or substantial programme dedicated to climate change exists. Besides, this policy is sometimes submerged by other ones. Therefore, the description of the programmes and actions dealt with in this section had to be **based on the description of budget lines**. Consequently, some actions might not be included.
 - *For instance, if actions related to climate change have been undertaken in the framework of the Cohesion policy, they do not appear in this note, since the description of Cohesion appropriations contain no reference to climate change.*
2. Regarding climate change, the **differences between specific instruments and mainstreamed policies are often difficult to pinpoint**. This stems from the fact that a given action can support different policies.
 - *For instance, the Joint Undertaking for Fuel Cells and Hydrogen (FCH) brings benefits in terms of energy, transport and climate change. For the purpose of this note, such actions have nevertheless been registered as a "Specific instrument" dedicated to climate change.*
3. Furthermore, when climate actions have been **integrated** into another policy, the **evaluation of their share of funding is subject to methodological difficulties**. The classification of those actions undertaken in the framework of a given policy is a complex and time-consuming task, as the analysis has to be made at Member States or regional level.
 - *For instance, the CAP health-check and European Economic Recovery Plan have contributed to an additional EUR 4,95 billion to rural development over the 2007-2013 period, which amount to less than 5,5% of this policy. A recent Commission¹⁹⁵ fact sheet indicated that 14,2% of this increase has been dedicated to climate change. However, this estimate is based on Member States classifications. Thus, precise information regarding the use of rural development funds for tackling climate change is only available for a small proportion of the policy, and is dependant on Member States classifications.*

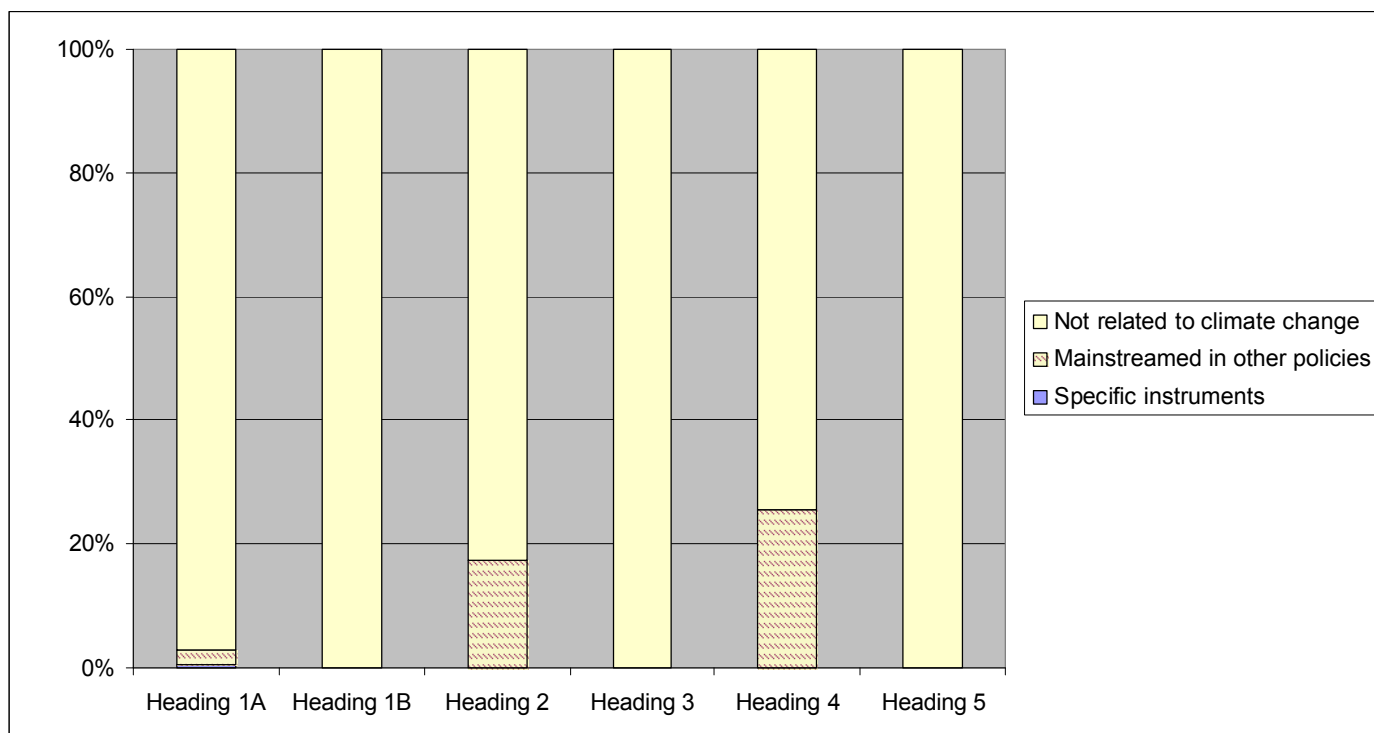
- OVERVIEW OF THE BUDGET SHARE OF CLIMATE CHANGE POLICIES IN MFF HEADINGS

Budget share of climate change actions in each MFF headings:

¹⁹³ COM(2008)0030

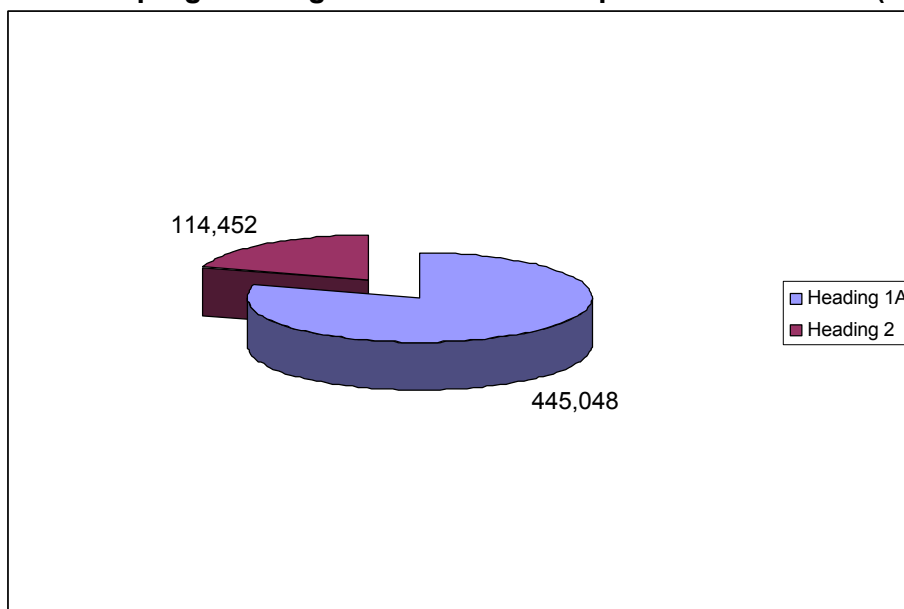
¹⁹⁴ Policy Department Economic and scientific policy: "New financial perspectives related with ENVI competences"

¹⁹⁵ European Commission: Overview of the CAP Health Check and the European Economic Recovery Plan Modification of the RDPs



- The amount of appropriations under Heading 2 that is dedicated to a specific instrument is too small compared to the overall budget of the heading to appear on this chart
- Regarding the policies where climate change has been integrated, the extent to which the appropriations are effectively allocated to climate change is difficult to assess (cf. section -)

Financial programming 2007-2013 for the specific instruments (EUR million):



(for a detailed description of these instruments, see section 2.3)

- SPECIFIC INSTRUMENTS AT THE EU LEVEL

Specific instruments have been designed to favour climate change mitigation and adaptation. They come under Headings 1 A and 2. The following table describes these instruments and their budgetary impact. All those instruments do not only serve the purpose of tackling climate change, but all of the actions they undertake can relate to this objective.

For instance, the Fuel Cells and Hydrogen Joint Undertaking, by far the largest appropriation, also contributes to transport and research policies.

Instrument	Heading	2007 - 2013 (EUR million) ¹⁹⁶	Description
Fuel Cells and Hydrogen (FCH) Joint Undertaking	1A	445,048	Mitigation The FCH Joint Undertaking shall contribute to the implementation of the Seventh Framework Programme of the European Community for research, technology development and demonstration activities (2007-2013) and in particular the specific programme 'Cooperation' themes for 'Energy', 'Nanosciences, Nanotechnologies, Materials and New Production Technologies', 'Environment (including Climate Change)', and 'Transport (including Aeronautics)'
Demonstration of carbon capture and storage (CCS) and innovative renewable technologies	1A	p.m.	Mitigation This article is intended to contribute to the financing of the actions for mitigation and adaptation required within the EU in order to reach the objectives agreed at the Copenhagen Climate Change Conference in December 2009. No appropriations have been allocated to this instrument yet.
Pilot Project — solar energy	2	2,000	Mitigation Pilot Project — Supporting the preservation of natural resources and combating climate change through increase of using solar energy (Solar Thermal and Photovoltaic)
Pilot project on the impacts of climate change on drinking water	2	0,500	Adaptation Literature review on the potential effects of climate change on drinking water protection areas across the EU and the identification of priorities among different types of drinking water supplies
Pilot project to halt desertification	2	3,500	Adaptation Development of prevention activities to halt desertification in Europe, since floods and droughts linked to climate change are becoming more frequent
Complex research on Health, Environment, Transport and Climate Change	2	4,000	Adaptation Assessment of the impact of climate change, school environment and transport on children's respiratory

¹⁹⁶ The figures in this table come from the latest financial programming for 2011-2013 received from the Commission in January 2011

			health
Implementation of EU policy and legislation on climate action	2	78,452	Adaptation and Mitigation Under the LIFE+ programme, this appropriation is intended to finance measures to support the European Commission's role in initiating policy and legislation development and implementation in the area of Climate Action
EU action programme to combat climate change	2	30,000	Adaptation and Mitigation Contribution to the financing of the actions for mitigation and adaptation required within the EU in order to reach the objectives agreed at the Copenhagen Climate Change Conference in December 2009.
Total		563,500	

- MAINSTREAMING AT THE EU LEVEL

The climate change policy has been integrated into various EU policies. Consequently, part of the appropriations of those policies is to be used in order to tackle climate change. However, no comprehensive description of the extent to which the funds are used in respect to that objective is available.

Instrument	Heading	2007 - 2013 (EUR million) ¹⁹⁷	Description
Rural development programmes	2	71 898,847	Adaptation and Mitigation Rural development measures under all axes will be measured against more refined performance indicators for farming systems and production methods so as to respond to the challenges related to climate change, water protection, biodiversity and renewable energies
Research related to transport (including aeronautics)	1A	202,277	Mitigation Focuses, inter alia, on the mitigation of transport-related climate change
Mainstreaming climate action and adaptation	2	5,000	Adaptation and Mitigation Work needed to underpin the Union's developing policy on mainstreaming of climate action and adaptation to climate change, as basis for impact assessment and the preparation of future policy decisions.
GMES	1A	112,330	Adaptation Building on what has been achieved by the Space Theme of the 7th Research Programme, these services will also benefit climate change research and monitoring, as well as development and

¹⁹⁷ The figures in this table come from the latest financial programming for 2011-2013 received from the Commission in January 2011

			implementation of public policy relating to this area.
CURE (Convention for Urban and Rural Europe)	2	1,500	Adaptation and Mitigation Recommendations on policy frameworks and measures which will foster a sustainable approach to the future of urban and rural areas in Europe
Internal market and optimisation of transport systems	1A	12,500	Mitigation Collecting and processing information of all kinds needed for the analysis, definition, promotion, monitoring, evaluation and implementation of the Community's common transport policy. Integration of sustainable development into the transport sector such as reducing CO2 emissions and climate change
Total		72 232,454	

The integration of climate change policy into cohesion policy is not reflected in the budget.

- INSTRUMENTS DEDICATED TO CLIMATE CHANGE AT THE INTERNATIONAL LEVEL

In 2010, the EU mobilised fast start funding of EUR 2,2 billion to support developing countries' efforts to adapt and mitigate climate change. This is part of the EU's overall commitment to provide EUR 7,2 billion for the period 2010-2012¹⁹⁸.

Most EU actions in the field of climate change at the international level are implemented through mainstreaming climate change objectives in existing instruments. Similarly to the EU level, no comprehensive description of the extent to which the funds are used in respect to that objective is available.

Instrument	Heading	2007 - 2013 (EUR million) ¹⁹⁹	Description
Contribution to multilateral and international environmental activities	4	25,356	Adaptation and Mitigation Rural development measures will be measured against more refined performance indicators for farming systems and production methods so as to respond to the challenges related to climate change, water protection, biodiversity and renewable energies
Cooperation — Environment (including climate change)	1A	1 740,818	Adaptation and Mitigation Emphasis will be put, among other priorities, on predicting climate, ecological, earth and ocean systems changes, on changes regarding tools

¹⁹⁸ European Union fast start funding for developing countries - 2010 progress report (http://www.delnam.ec.europa.eu/pdf/2009/PR-SPF_startfinance_v5.pdf)

¹⁹⁹ The figures in this table come from the latest financial programming for 2011-2013 received from the Commission in January 2011

			and technologies, for monitoring, prevention and mitigation of environmental pressures and risks, including on human health and for the sustainability of the natural and man-made environment.
Cooperation with third countries in the areas of migration and asylum	4	278,516	Adaptation This thematic programme will, in the context of its new strategy, also take migration into account that results from climate change.
Cooperation with industrialised non-member countries	4	150,090	Adaptation and Mitigation
European Neighbourhood and Partnership financial cooperation with Mediterranean countries	4	4 727,355	Adaptation and Mitigation
Cooperation with developing countries in Latin America	4	2 550,871	Adaptation and Mitigation
Cooperation with developing countries in Asia	4	4 177,727	Adaptation and Mitigation
Cooperation with developing countries in Central Asia	4	662,473	Adaptation and Mitigation
Environment and sustainable management of natural resources, including energy	4	884,857	Adaptation and Mitigation Part of these appropriations also covers the EU contribution to the Global Energy Efficiency and Renewable Energy Fund (GEEREF)
Relations with South Africa	4	816,342	Adaptation and Mitigation
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	4	5,000	Mitigation Specific instrument
Pilot project — Transatlantic methods for handling global challenges	4	5,500	Adaptation and Mitigation Foster common transatlantic approaches to key international policy challenges, e.g. environmental issues, such as climate change.
Total		16 024,905	

EIB LOANS

The EIB has made actions to prevent climate change one of its priorities. In 2010, 30% of its loans in the EU are related to that objective, which amounts to EUR 19 billion. EUR 5 586 million have been lent for renewable energy projects, and EUR 1 692 million for energy efficiency projects.

Unfortunately, the proportion of those loans that are guaranteed by the EU is currently unavailable.

EU EMISSIONS TRADING SCHEME (ETS)

Launched in 2005, the EU Emission Trading System (ETS) works on the "cap and trade" principle. This means there is a "cap", or limit, on the total amount of certain greenhouse gases that can be emitted by the factories, power plants and other installations in the system. Within this cap, companies receive emission allowances which they can sell to or buy from one another as needed. The limit on the total number of allowances available ensures that they have a value.

At the end of each year each company must surrender enough allowances to cover all its emissions, otherwise heavy fines are imposed. If a company reduces its emissions, it can keep the spare allowances to cover its future needs or else sell them to another company that is short of allowances. The flexibility that trading brings ensures that emissions are cut where it costs least to do so.

The ETS was not dealt with in this document as it does not generate, at this state, any revenue or expenditure for the EU budget.



Administration

Exchange of views with
Vice-President Maros Sefcovic, Commissioner
for Interinstitutional Relations and Administration,
on Administration

**SURE Committee Meeting
9 May 2011
Strasbourg**

FACTUAL BACKGROUND NOTE

on

ADMINISTRATIVE EXPENDITURE

for the meeting of the

**Special committee on the policy challenges and budgetary
resources for a sustainable European Union after 2013**

9 May 2011

05 May 2011

EN

1. GENERAL DESCRIPTION

Administrative expenditure of the EU is mostly grouped under Heading 5 of the Multiannual Financial Framework (MFF). It covers expenditure for all EU Institutions, pensions and European Schools and it amounts to EUR 8,2 billion for 2011 and EUR 55,5 billion for the MFF period 2007- 2013, i.e. 5,8% of the total (annex I). The most important cost factor is the number of officials and other agents employed. Some part of administrative expenditure is also financed by other headings; this type of expenditure can be classified into technical and administrative support linked to community operational programmes¹, administrative expenditure under the research budget and expenditure for executive agencies. The total amount of administrative expenditure outside heading 5 is EUR 1,2 billion² for 2011 budget (annex III). Table in annex IV shows total figures for the above mentioned expenditures, as compared to the total EU budget figures. In 2011 it represents 6,7% of the total EU budget.

2. HEADING 5: STATE OF PLAY

Heading 5 finances the administrative expenditure of the following Institutions: European Parliament, European Council and Council, Commission, Court of Justice, Court of Auditors, European Economic and Social Committee, Committee of the Regions, European Ombudsman, European Data Protection Supervisor (EDPS) and European External Action Service (new section X).

This includes expenditure for:

- remunerations and benefits for the Members when they are paid by the Community budget (Commission, Court of Justice, Court of Auditors, Ombudsman and EDPS and, as from 2009, for Members of the European Parliament);
- remunerations and allowances for the officials as well as for other servants (temporary agents, contract agents, local agents, interim agents, special advisers, accredited parliamentary assistants from July 2009 onwards);
- a specific pension regime for officials and other servants;
- real estate (rent, acquisition, lease) and related expenditure (fitting out, cleaning, security, electricity, furniture, etc.);
- expenditure related to activities of the Directorates General (missions, meetings, training, etc.);
- IT expenditure (Data centre, PCs, telecommunications);
- Social expenditure (European Schools, childcare facilities, etc.).

Officially, in the heading 5 there is no "sub-ceiling" to separate the administrative budget of each Institution. The Commission, being the Institution with most staff has the biggest share (40% of the financial framework ceiling in heading 5 in 2011). Historically, as a result of a 'gentlemen's agreement' with the Council, the European

¹ Former BA lines and 'mini budgets'

² This amount doesn't include decentralised agencies (see chapter 4 and annex V)

Parliament has a reserved share of 20 % of the heading 5 ceiling. The 2011 budget of the Council represents some 7 % of the ceiling. As part of the gentlemen's agreement, Council decides on the Council's and Parliament on the EP's administrative expenditure, without interference of the other branch of the budgetary authority. All the other Institutions are much smaller in terms of number of staff and account for about 14 % of the ceiling with the biggest share of the European External Action Service (6%) (annex II).

The 2011 budget for pensions is EUR 1 261 million (15,5 %). This is one of the fastest growing items of expenditure given the age pyramid of the Institutions' staff. The 2011 budget for European Schools is EUR 166 million (2 %). Pensions and European schools are in the Commission's section of the budget, although they serve staff of all Institutions.

3. SECTION III - COMMISSION'S BUDGET - THE STRUCTURE

3.1. ADMINISTRATIVE APPROPRIATIONS (HEADING 5)

According to the Activity Based Budgeting approach of structuring of the budget, most administrative expenditure of the Commission is split into various policy areas and managed by respective Directorates General (DG) of the Commission. In most cases, the administrative expenditure is to be found in chapter 1 of each budget title which corresponds to one policy area. Chapters 2 and subsequent chapters cover the operational expenditure, which is aimed at having an impact for beneficiaries outside the EU institutions.

Expenditure for the **pensions** is allocated in a separate title (title 30) which is not associated with a policy area or a DG.

The six **European Offices** are administrative entities with a separate detailed administrative budget and a different governance structure. Their budget is part of the global administrative budget of the Commission, as these offices have no legal personality. The offices have specific management boards and have been created in order to increase the Inter-institutional cooperation (Publication office (OPOCE) and recruitment office (EPSO)) or with a view to move towards an inter-institutional form in the future (Paymaster Office (PMO)), Infrastructure offices in Brussels (OIB) and in Luxembourg (OIL)). There is also the special case of the anti-fraud office (OLAF) with a complex governance structure to ensure a high level of independence from the Commission.

3.2. OPERATIONAL APPROPRIATIONS FOR ADMINISTRATIVE EXPENDITURE (OTHER HEADINGS)

For some policy areas administrative expenditure can also be financed from operational appropriations. In this case other headings than heading 5 interfere. This type of expenditure is clearly identified in section III of the EU Budget on dedicated budget lines (XX³ 01 04 lines for technical and administrative support of multi-annual operational programmes and executive agencies and XX 01 05 lines for research). The financing includes:

- external staff from Structural Funds⁴, Rural development and European Fisheries Funds
- external staff at headquarters (former "Bureaux d'Assistance Technique" - BATs)⁵
- external staff for the management of decentralised external aid actions in Delegations
- staff for indirect research
- external staff for indirect research
- direct research (Joint Research Center)
- activities such as IT systems and evaluations of calls for proposals, studies, expert meetings, communication activities and external audits
- executive agencies (both those from the Research budget and those financed from other programmes)

Total administrative expenditure outside heading 5 including executive agencies amounts to EUR 1,2 billion in 2011 budget with the biggest share of 41 % for the expenditure on staff in direct and indirect research. Financing of the executive agencies both in research and outside research represent 13% of total administrative expenditure outside heading 5 (annex III) in 2011.

³ XX being the policy area or title in question

⁴ The acts establishing the Structural Funds allow for external personnel to be financed from the operational appropriations in question (so-called 'mini-budgets').

⁵ In 2000, the Commission made the commitment to gradually abolish certain technical assistance offices (TAOs) and, in limited cases, take on their activities itself. In these very specific cases, the Budgetary Authority authorised the Commission temporarily to finance external personnel at headquarters by means of a specific remark in the budget establishing a subceiling at the level of the operational lines for the programmes in question (old BA lines). These authorisations are without prejudice to the 'mini-budgets', which, under the acts establishing the Structural Funds, allow for the financing of external personnel from the operational appropriations in question.

3.3. FUNCTIONING OF THE XX LINES

According to the article 41 of the Financial Regulation the Commission's administrative expenditure of a type common to all titles shall also be set out in a separate summary statement classified by type. This summary table is to be found in Section III of the EU Budget where each budget line for administrative expenditure is preceded by XX character representing a relevant policy area or a title. Its aim is to provide a global overview of subtotals for each type of administrative expenditure, however, it should not be considered as an additional expenditure to the one found under each chapter of the policy area/title. It should be noted that the administrative expenditure outside heading 5 is not listed in this table except for the expenditure on indirect research. The XX lines in 2011 Budget amount to EUR 2,7 billion in total.

4. DECENTRALISED AGENCIES AND OTHER COMMUNITY BODIES

In 2011 Budget EU contribution to the decentralised agencies amounts to EUR 657,3 million (annex V). Furthermore, the estimated assigned revenue stemming from the recovery of the 2009 surplus is EUR 26,6 million, which sets the total amount of EU contribution to some EUR 683,9 million in 2011. It should be noted that this amount includes both administrative and operational expenditure, the administrative expenditure representing the share of 62% in 2011.

As compared to 2010 there has been a minor decrease (-0,1%) in funding from the EU budget in 2011, however; according to the financial programming forecast (annex V), the Commission foresees 12% increase both for 2011 and 2012 budget. This can be explained by the fact that special funding needs will still remain for "to be created"⁶ and "start-up phase"⁷ agencies.

As regards staffing of the decentralised agencies, the increase of 258 posts foreseen for 2011 also relates largely to the 'to be created' and 'start-up phase' agencies, for which 231 posts are requested. The total number of posts (5 284 in 2011) includes both posts financed from the EU contribution to the agencies as well as posts financed by other agency revenue, such as fees from industry.

Other bodies such as Joint Undertakings and the European Institute of Technology (EIT) receive financial contribution from the EU budget; however, their financing can be combined with alternative sources coming from public or private parties⁸.

⁶ European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA), European Securities and Markets Authority (ESMA), European Asylum Support Office (EASO) and the Agency for the operational management of large-scale JLS IT systems

⁷ Institute for Gender Equality, European Agency for the Cooperation of Energy Regulators (ACER) and the Office of the Body of European Regulators for Electronic Communications (BEREC – Office)

⁸ This is also the case of some decentralised agencies: EMA, EASA, (partially self-financed) and ECHA, OHIM, CPVO, CdT (fully self-financed); however, as a general rule, traditional agencies are financed entirely from the EU budget

In 2011 budget Joint Undertakings total EU contribution amounts to EUR 1 billion with a total of 357 posts. In 2012 the EU funding is foreseen to increase by 82,5 % to EUR 1,8 billion⁹. This substantial increase in the overall EU contribution to the joint undertakings mainly stems from ITER, due to the additional needs for this project still subject to common approval in 2012 budgetary procedure¹⁰. As far as EIT is concerned, total EU contribution in 2011 amounts to EUR 62,8 million with 28 posts. All these amounts include both operational and administrative expenditure.

5. ADMINISTRATIVE EXPENDITURE EVOLUTION 2012-2013

In 2012 expenditure for administration for all Institutions (heading 5) is estimated at EUR 8 281,5 million (+ 1,3 % compared with the 2011 budget)¹¹. According to the Commission's financial programming evolution of Heading 5 for 2013 will be marked by a steady increase of 4% (annex I). However, it should be noted that these forecasts constitute only a technical estimation by the administrations of the Institutions and do not take into account further enlargements, except for the figures provided by the Council and the Parliament which include an estimate related to the potential impact of an accession of Croatia in 2012.

For 2011, 444 additional posts have been authorised (for the European Parliament, for the European Council and Council, the Court of Justice, the European and Economic Social Committee, the Committee of Regions, the Ombudsman, the European Data Protection Supervisor and the European External Action Service), mainly linked to the entry into force of the Lisbon Treaty. The estimated global request of the other Institutions for the years 2012-2013 is based on a scenario of 270 additional posts. No additional posts are foreseen in the period 2010-2013 for the Commission.

Appropriations for European Schools increase in line with the expected increase of pupils and include the current costs as well as the opening of the fourth Brussels school expected for 2013. It also includes from 2010 onwards the additional cost for the accredited schools, called European Schools type II that have been created by the 2010 reform of the European School system.

⁹ Draft budget figures

¹⁰ The EU contribution to ITER is foreseen to increase from EUR 387,7 million in 2011 to EUR 1 106,9 million in 2012 (draft budget figures).

¹¹ Draft budget figures

ANNEX I

Administrative expenditure heading 5, final budget figures and MFF programming 2007-2013

Amounts in EUR million at current prices	Budget 2007	Budget 2008	Budget 2009	Budget 2010	Budget 2011	Draft budget 2012	Financial Programming 2013
Commission	3,312	3,411	3,513	3,614	3,316	3,315	3,532
Other institutions	2,577	2,674	2,806	2,947	3,428	3,485	3,793
Pensions (all institutions)	960	1,051	1,130	1,193	1,262	1,312	1,458
European Schools	130	144	149	154	166	169	192
Total Heading 5*	6,978	7,279	7,597	7,908	8,173	8,281	8,976
MFF Heading 5 ceiling	7,115	7,457	7,603	7,962	8,416	8,754	9,181
H5 expected margin**	137	178	0	54	243	473***	205
(*) The differences between the totals and the sums are due to rounding (**) It is worth recalling that in heading 5 a margin equivalent to 1 % of the salaries and pensions expenditure is considered necessary to absorb possible statistical variations of the annual pay increases. Furthermore, as the ceiling in current prices is based on a fixed 2 % deflator, higher inflation would reduce the margin, accordingly. (***) The calculation of the margin includes an amount of EUR 84 million related to staff contributions to the pension scheme							

Source: European Commission

Administrative expenditure heading 5, final budget figures 2000-2006

Amounts in EUR million at current prices	Budget 2000	Budget 2001	Budget 2002	Budget 2003	Budget 2004	Budget 2005	Budget 2006
Total heading 5*	4,724	4,938	5,178	5,381	6,122	6,292	6,604
MFF Heading 5 ceiling**	4,798	4,939	5,179	5,381	6,157	6,360	6,708
(*) Including Commission, other Institutions, Pensions, European Schools (**) Figures as presented for each annual budgetary procedure							

Source: European Commission

ANNEX II

Administrative expenditure breakdown by section/institution, 2007-2012

Heading	Budget 2007	Budget 2008	Budget 2009	Budget 2010	Budget 2011	Draft Budget 2012
5.ADMINISTRATION(S) <i>Amounts in EUR at current prices</i>	6.942.364.032	7.279.525.455	7.694.930.901	7.907.973.861	8.171.399.289	8.281.389.366
I — European Parliament	1.397.460.174	1.452.517.167	1.529.970.930	1.616.760.399	1.685.829.393	1.724.575.043
II — European Council and Council	593.528.212	594.715.268	602.852.000	633.552.000	563.262.600	538.545.000
III — Commission:	4.365.174.156	4.605.684.056	4.846.776.807	4.961.144.406	4.742.995.490	4.796.258.814
— Commission	3.275.878.000	3.410.705.220	3.604.622.000	3.614.143.362	3.314.918.499	3.314.917.804
— Pensions(all institutions)	959.630.000	1.050.769.000	192.789.000	1.192.789.000	1.261.614.000	1.312.115.000
— European schools	129.666.156	144.209.836	154.212.044	154.212.044	166.462.991	169.226.010
IV — Court of Justice of the European Union	272.219.390	294.077.591	314.954.433	329.300.000	341.229.998	353.718.000
V — Court of Auditors	121.080.000	132.769.183	187.644.296	147.945.731	144.330.944	143.240.500
VI — European Economic and Social Committee	112.694.342	114.744.176	120.710.809	123.173.749	128.573.837	130.499.922
VII — Committee of the Regions	67.099.232	71.204.491	76.451.720	79.660.950	84.080.903	86.524.132
VIII — European Ombudsman	8.152.800	8.505.770	8.906.880	9.332.275	9.427.395	9.472.000
IX — European Data-protection Supervisor	4.955.726	5.307.753	6.663.026	7.104.351	7.564.137	7.639.826
X — European External Action Service					464.104.592	490.916.129

Source: European Commission

ANNEX III

Administrative expenditure outside heading 5, 2007-2012

	Budget 2007	Budget 2008	Budget 2009	Budget 2010	Budget 2011	Draft Budget 2012
<i>Amounts in EUR at current prices</i>						
Technical and administrative support lines (ex-BA lines)	424.068.870	343.362.219	332.041.360	341.672.500	363.813.200	371.540.466
Executive agencies (outside research agencies)	61.870.000	71.215.600	76.275.000	78.972.500	79.398.000	79.273.000
Sub Total Administrative expenditure outside research and heading 5*	485.938.870	414.577.819	408.316.360	420.645.000	443.211.200	450.813.466
Research establishment plan posts	345.605.000	352.638.000	374.297.000	379.315.000	385.213.000	392.842.100
External personnel	98.807.000	95.097.000	91.082.000	94.423.000	90.155.000	90.239.100
Other administrative expenditure	158.884.000	135.016.000	134.082.000	156.180.000	181.745.000	178.178.900
Executive agencies for Research		62.095.000	63.442.000	64.103.000	72.717.000	86.339.000
Sub Total Administrative expenditure direct and indirect research**	603.296.000	644.846.000	662.903.000	694.021.000	729.830.000	747.599.100
TOTAL ADMINISTRATIVE EXPENDITURE OUTSIDE HEADING 5	1.089.234.870	1.059.423.819	1.071.219.360	1.114.666.000	1.173.041.200	1.198.412.566

(*) XX 01 04 lines excluding research executive agencies and ITER administrative management expenditure

(**) XX 01 05 lines, Joint Research Center and research executive agencies all financed under the administrative ceiling of the research framework programmes

Source: European Commission

ANNEX IV

Administrative expenditure shares of total EU Budget, final budget figures and MFF programming 2007-2013 (EUR millions)

	2007 Budget	% of total EU Budget	2008 Budget	% of total EU Budget	2009 Budget	% of total EU Budget	2010 Budget	% of total EU Budget	2011 Budget	% of total EU Budget	2012 Draft Budget	% of total EU Budget	2013 Financial Progr.	% of total EU Budget
Heading 5	6 942,364	5,7	7 279,525	5,6	7 694,931	5,7	7 907,974	5,6	8 171,399	5,8	8 281,389	5,6	8 975,760	6,0
Outside heading 5*	1 089,235	0,9	1 059,424	0,8	1 071,219	0,8	1 114,666	0,8	1 173,041	0,8	1 198,413	0,8	n/a	n/a
Total	8 031,599	6,6	8 338,949	6,5	8 766,150	6,5	9 022,640	6,4	9 344,440	6,7	9 479,802	6,4	8 975,760	6,0
Total EU Budget	122 359,841	100,0	128 933,333	100,0	134 538,165	100,0	140 303,601	100,0	140 409,438	100,0	148 196,006	100,0	150 488,344	100,0

*Including executive agencies

Source: European Commission

ANNEX V

Decentralised Agencies expenditure breakdown by heading, final budget figures and MFF programming 2007-2013 (EUR millions)*

* The amounts include both administrative and operational expenditure

Line	Acronym	Heading	Location	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Financial Programming	2013 Financial Programming
GRAND TOTAL				421,003	536,185	561,360	656,950	657,306	741,854	749,899
Heading 1A : Competitiveness for growth and employment				192,824	251,529	248,074	230,582	216,218	231,386	241,614
02 03 03	ECHA	Chemicals Legislation and Chemicals Agency	Helsinki (Finland)	15,294	62,619	64,529	35,150			
02 05 02	GSA	European GNSS Supervisory Authority	Brussels (Belgium)	9,425	10,560	5,800	5,135	8,200	9,600	11,500
04 04 02	GENDER	European Institute for Gender Equality	Vilnius (Lithuania)	4,500	6,430	6,860	6,940	7,530	7,820	8,100
04 04 03	EUROFOUND	European Foundation for the improvement of Living and Working conditions	Dublin (Ireland)	19,600	20,000	19,450	19,067	20,210	20,590	21,070
04 04 04	EUOSHA	European Agency for safety and Health at work	Bilbao (Spain)	14,000	14,400	13,800	13,743	14,316	14,830	15,160
06 02 01	EASA	European Aviation Safety Agency	Köln (Germany)	24,530	30,000	31,540	32,879	33,316	30,990	31,560
06 02 02	EMSA	European Maritime Safety Agency	Lisbon (Portugal)	23,100	26,300	24,435	31,949	27,696	30,170	30,650
06 02 08	ERA	European Railway Safety Agency	Valencienne - Lille (France)	16,645	18,000	16,060	23,260	24,375	20,315	20,701
09 02 03	ENISA	European Network and Information Security Agency	Heraklion (Greece)	8,000	8,160	7,800	7,288	7,188	8,420	8,590
09 02 04	BEREC	Office of the body of European Regulators for Electronic Communications	Riga (Latvia)				3,470	3,579	5,470	5,490

Line	Acronym	Heading	Location	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Financial Programming	2013 Financial Programming
12 03 01	OHIM	Office for Harmonisation in the Internal Market	Alicante (Spain)							
12 04 02	EBA	European Banking Authority	London (UK)					5,073	7,299	9,179
12 04 03	EIOPA	European Insurance and Occupational Pensions Authority	Frankfurt (Germany)					4,267	5,962	6,796
12 04 04	ESMA	European Securities and Market Authority	Paris (France)					6,784	7,120	8,608
15 02 25	CEDEFOP	European Centre for the Development of Vocational Training	Thessaloniki (Greece)	16,730	17,060	15,910	16,920	15,742	17,610	17,960
17 03 10	EMA	European Medicines Agency	London (UK)	41,000	38,000	41,890	32,780	32,943	39,190	40,050
32 04 10	ACER	European Agency for the Cooperation of Energy Regulators	Ljubljana (Slovenia)				2,000	5,000	6,000	6,200

Heading 2 : PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES				33,950	38,972	40,264	42,953	47,770	47,000	49,468
07 03 09	EEA	European Environment Agency	Copenhagen (Denmark)	28,950	31,672	34,560	35,258	35,105	36,667	37,408
07 03 60	ECHA	Chemicals Legislation and Chemicals Agency	Helsinki (Finland)						1,023	2,280
11 08 05	CFCA	Community Fisheries Control Agency	Vigo (Spain)	5,000	7,300	5,704	7,696	12,665	9,310	9,780
17 04 05	CPVO	Community Plant Variety Office	Angers (France)							

Heading 3A : Freedom, security and justice				91,029	125,100	139,450	239,837	247,865	307,350	299,700
18 02 03	FRONTEX	European Agency for the Management of Operational Cooperation at the External Borders	Warsaw (Poland)	38,746	68,000	78,000	83,000	78,000	78,000	78,000

Line	Acronym	Heading	Location	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Financial Programming	2013 Financial Programming
18 02 11	IT_JLS	Agency for the operational management of large-scale IT systems in the area of freedom, security and justice	to be decided					5,450	54,500	39,400
18 03 14	EASO	European Asylum Support Office	Valetta (Malta)				5,250	8,000	12,000	15,000
18 04 05	FRA	European Union Agency for Fundamental Rights	Vienna (Austria)	13,831	15,000	17,000	19,100	20,000	21,000	22,000
18 05 02	EUROPOL	Europol	The Hague (The Netherlands)				79,724	83,469	84,000	85,000
18 05 05	CEPOL	European Policy College	Bramshill (UK)	7,439	8,700	7,800	7,800	8,000	8,800	9,200
18 06 04	EUROJUST	Eurojust	The Hague (The Netherlands)	18,014	20,000	22,500	30,163	29,776	33,300	35,000
18 07 01	EMCDDA	European Monitoring Centre for Drugs and Drug addiction	Lisbon (Portugal)	13,000	13,400	14,150	14,800	15,170	15,750	16,100
Heading 3B : Citizenship				83,500	102,600	118,800	125,296	125,103	136,200	138,800
17 03 03	ECDC	European Centre for Disease Prevention and Control	Stockholm (Sweden)	26,500	39,100	48,100	56,255	52,770	58,700	59,800
17 03 07	EFSA	European Food Safety Authority	Parma (Italy)	57,000	73,000	70,700	69,041	72,333	77,500	79,000
Heading 4 : THE EU AS A GLOBAL PLAYER				19,700	17,984	14,772	18,282	20,350	19,918	20,317
15 02 27	ETF	European Training Foundation	Torino (Italy)	19,700	17,984	14,772	18,282	20,350	19,918	20,317
Heading 5 : ADMINISTRATION										

Line	Acronym	Heading	Location	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Financial Programming	2013 Financial Programming
31 01 09	CDT	Translation Centre for bodies of the European Union	Luxembourg (Luxembourg)							

Source: European Commission

