



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

**Technical adjustment of the financial framework for 2007
in line with movements in GNI and prices**

**(Point 16 of the Interinstitutional Agreement of 17 May 2006 on budgetary discipline
and sound financial management)**

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1. INTRODUCTION

The Interinstitutional Agreement (IIA) of 17 May 2006 on budgetary discipline and sound financial management¹ contains the financial framework table for EU-27 for the period 2007-2013, expressed in 2004 prices (Table 1).

Point 16 of the Interinstitutional Agreement states that each year the Commission will, ahead of the budgetary procedure for year n+1, make a technical adjustment to the financial framework in line with movements in the EU's gross national income (GNI) and prices. Movements in GNI have been updated with the latest economic forecasts available (Advisory Committee for Own Resources – ACOR - meeting of 19 May 2006). As far as prices are concerned, the IIA (point 16) now foresees a fixed 2 % deflator for all expenditure. It is therefore possible at this stage to calculate the expenditure ceilings at current prices for the whole period 2007-2013.

Exceptionally, the Interinstitutional Agreement on the financial framework 2007-2013 entered into force after the presentation of the 2007 preliminary draft budget. The purpose of this communication is to present to the budgetary authority the result of this technical adjustment (EU-27) for 2007.

2. TERMS OF THE ADJUSTMENT OF THE FINANCIAL FRAMEWORK TABLE (TABLES 1-2)

Table 1 shows the financial framework for EU-27 as adopted in the IIA, i.e. in 2004 prices.

Table 2 shows the financial framework for EU-27 adjusted for 2007. It also shows the financial framework expressed in percentage of GNI, with the latest economic forecasts available (ACOR meeting of 19 May 2006).

2.1. Adjustment of expenditure ceilings by heading for the year 2007

As foreseen in Point 16 of the IIA, the adjustment is calculated by applying a fixed annual deflator of 2 % to the commitment appropriations in the financial framework (at 2004 prices).

¹ OJ C

The resulting cumulative deflator for the period 2004-2007 amounts to 6.1208 %.

To ensure consistency with the allocations of expenditure between the beneficiary Member States, the overall figure for Sub-heading 1B 'Cohesion for growth and employment' in 2007 prices has been rounded up to the superior unit.

As regards payments, the global ceiling has been adjusted by applying the same deflator (6.1208 %) used for commitment appropriations.

2.2. Total figure for GNI

According to the latest forecasts available, the GNI for 2007 is established at € 11.566 billion in current prices for EU-25 and € 128 billion in current prices for Bulgaria and Romania.

For subsequent years (2008-2013) the EU-27 GNI has been calculated on the basis of the long-term projections for the annual average growth rate (2.3 % in real terms for the EU-27²) used in the negotiations on the financial framework 2007-2013, and on the same fixed annual inflation rate of 2 % as agreed in Point 16 of the IIA. These projections are indicative and will be updated annually on the basis of the latest economic forecasts available.

2.3. Main results of the technical adjustment of the Financial Framework for 2007 (EU-27)

The overall ceiling on appropriations for commitments for 2007 comes to € 128.091 million, equal to 1.10 % of GNI.

The corresponding overall ceiling concerning the appropriations for payments comes to € 123.790 million, i.e. 1.06 % of GNI. On the basis of the latest economic forecasts, this leaves a margin beneath the 1.24 % own resources ceiling of € 21.219 million (0.18 % of GNI for EU-27).

3. OTHER ELEMENTS LINKED TO THE TECHNICAL ADJUSTMENT

3.1. Heading 5 (Administration)

In the case of heading 5, a footnote to the financial framework states that the figures for pensions included under the ceiling for this heading are to be calculated net of staff contributions to the pension scheme, up to a maximum of € 500 million (2004 prices) for the period 2007-2013. This provision should be interpreted as imposing a dual limit on the amounts deducted from expenditure on pensions when applying the ceiling of the heading:

- This amount may not exceed the contributions actually entered as budget revenue in any one year;

² The average annual growth rate for the EU-27 is the combined result of projections by group of Member States: 2.2 % for EU-15; 4.1 % for the ten Member States that joined in 2004; and 5.6 % for Bulgaria and Romania.

- The accumulated total of deductions for the period 2007-2013 may not exceed € 500 million at 2004 prices, equivalent to an average of € 71.4 million (€ 75.8 million at 2007 prices).

The recurrent nature of administrative expenditure imposes that the lowest limit is adopted annually to avoid using a margin at the start of the period which would no longer be fully available afterwards. For 2007 – the first year of the period – the amount to be deducted is the lowest amount, i. e. € 75.8 million at current prices for 2007.

3.2. Expenditure items outside the financial framework 2007-2013

A number of instruments are available outside expenditure ceilings agreed in the financial framework 2007-2013. These instruments aim at providing rapid response to exceptional or unforeseen events, and provide some flexibility beyond the agreed expenditure ceilings within certain limits:

- the *Emergency Aid reserve*, which can be mobilised up to a maximum amount of € 221 million per year in 2004 prices, or € 234.5 million in 2007 at current prices (€ 1744 million for the whole period in current prices);
- the *EU Solidarity Fund*, whose maximum annual amount in current prices is € 1 billion;
- the *Flexibility Instrument*, with a maximum annual amount in current prices of € 200 million, plus the portion of the unused annual amounts of the years 2005 and 2006, which may be carried over to year 2007;

In addition, it will be possible to mobilise the *European Globalisation Adjustment Fund* (EGF) up to a maximum of € 500 million per year in current prices by drawing from any margin existing under the global ceiling for commitment appropriations of the previous year, and/or from cancelled commitments from the previous two years (excluding those related to heading 1b). For the year 2007 the conditions are met to enter the € 500 million provision in the budget.

4. OPERATIONS OUTSIDE THE BUDGET AND OWN RESOURCES

The fourth subparagraph of Point 11 of the Interinstitutional Agreement states that information relating to operations not included in the general budget and the foreseeable development of the various categories of own resources is to be set out in tables, as an indication, and updated annually when the technical adjustment is made to the financial framework.

This information, updated in line with the latest estimates available, is set out in Tables 3.1 to 3.2. It covers the European Development Fund (EDF) and the structure of own resources.

ANNEXES

TABLE 1: 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%	1,05%
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 € 500 million at 2004 prices for the period 2007-2013.

TABLE 2: FINANCIAL FRAMEWORK (EU-27) ADJUSTED FOR 2007

(EUR million - current prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	54.405	56.736	59.197	61.144	63.601	66.640	69.678	431.401
1a Competitiveness for Growth and Employment	8.918	9.847	10.769	11.750	12.974	14.239	15.490	83.987
1b Cohesion for Growth and Employment	45.487	46.889	48.428	49.394	50.627	52.401	54.188	347.414
2. Preservation and Management of Natural Resources	58.351	58.800	59.252	59.726	60.191	60.663	61.142	418.125
of which: market related expenditure and direct payments	45.759	46.217	46.679	47.146	47.617	48.093	48.574	330.085
3. Citizenship, freedom, security and justice	1.273	1.362	1.523	1.693	1.889	2.105	2.376	12.221
3a Freedom, Security and Justice	637	747	872	1.025	1.206	1.406	1.661	7.554
3b Citizenship	636	615	651	668	683	699	715	4.667
4. EU as a global player	6.578	7.002	7.440	7.893	8.430	8.997	9.595	55.935
5. Administration ⁽¹⁾	7.039	7.380	7.699	8.008	8.334	8.670	9.095	56.225
6. Compensations	445	207	210					862
TOTAL COMMITMENT APPROPRIATIONS	128.091	131.487	135.321	138.464	142.445	147.075	151.886	974.769
as a percentage of GNI	1,10%	1,08%	1,06%	1,04%	1,03%	1,01%	1,00%	1,04%
TOTAL PAYMENT APPROPRIATIONS	123.790	129.481	123.646	133.202	133.087	139.908	142.180	925.294
as a percentage of GNI	1,06%	1,06%	0,97%	1,00%	0,96%	0,97%	0,94%	0,99%
Margin available	0,18%	0,18%	0,27%	0,24%	0,28%	0,27%	0,30%	0,25%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%

(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of € 500 million at 2004 prices for the period 2007-2013.

TABLE 3: INDICATIVE PROGRAMME OF EXPENDITURE NOT ENTERED IN THE GENERAL BUDGET AND PROSPECTIVE TREND IN THE VARIOUS OWN RESOURCES

TABLE 3.1. EUROPEAN DEVELOPMENT FUND

Commitments (C) and Payments (P)
EUR million - current prices

	2000		2001		2002		2003		2004		2005		2006		2007		2008	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
TOTAL	4007	1640	1927	1779	2125	1922	4107	2349	2972	2560	4015	2699	3971	3024	3150	3350	p.m.	3300

The series relate to the measures managed by the Commission and the European Investment Bank. The amounts for 2001 to 2004 have been amended to take account of the impact of the regularisation of certain payments made on the Stabex instrument.

TABLE 3.2. OWN RESOURCES BY CATEGORY

% of total	2000	2001	2002	2003	2004	2005	2006	2007
Traditional own resources (TOR)	17%	18%	12%	13%	13%	14%	13%	14%
VAT	40%	39%	29%	25%	15%	16%	15%	15%
GNP/GNI	43%	43%	59%	62%	72%	70%	72%	71%

2000-2005: outturns

(including the retroactive adjustment in 2002 of 15% of the amounts retained in 2001 as TOR collection costs)

2006 : Amending Budget (AB) 2/2006

2007: PDB 2007 (forecasts are based upon the Own Resources Decision of 29 September 2000 (OJ L 253/42))