Working Paper 9/2006

FEDERAL MINISTRY
OF FINANCE

Veronika Meszarits, Florian Wukovitsch

A new budget for the EU

The negotiations on the financial framework 2007-2013 from a member state and presidency perspective

Contents

The Working Papers are written by the staff of the Federal Ministry of Finance or experts working in cooperation with them. It is their objective to stimulate public discussion on economic policy issues emanating from the work of the Ministry. Views expressed do not necessarily represent official views of the Ministry, but are the responsibility of the author.

Your comments and suggestions should be directed to:
Dr. Kurt Bayer,
Deputy Director General for Economic Policy and International Affairs
phone.: ++43/1/514 33/ext.
e-mail: kurt.bayer@bmf.gv.at

Dr. Alfred Katterl,
Division of Economic Policy Analysis
phone: ++43/1/514 33/ext.
e-mail: alfred.katterl@bmf.gv.at

A free copy of the Working Paper can be ordered at:
Federal Ministry of Finance,
HR Development and Internal Communications
Himmelpfortgasse 8, A-1015 Vienna
phone: ++43/1/514 33/1346
Internet: www.bmf.gv.at

1. Introduction

The next phase of medium-term financial programming in the European Union starts in the year 2007. Since 1988, annual budgets of the European Communities have been based on financial frameworks ("Financial Perspective") of five to seven years duration, which are a part of Interinstitutional Agreements between the European Commission, the European Parliament and the Council of the European Union. This paper traces the process of negotiations for the financial framework 2007-2013 and the Interinstitutional Agreement from a member state's perspective.

In chapter 2 we give a short introduction into the EU's financial system. We start with a description of institutional characteristics, giving an overview on the institutional balance and division of power between the European Institutions in budgetary affairs. In this context, we also outline the historical development within the last 20 years of today's budgetary system and, where required, refer to legal aspects of the European Budget. The chapter is concluded with a section on the major challenges for the next financial period, particularly the divergent expectations of the enlarged Union with 25 member states, but also the complicated situation confronting the Union on the resource side.

Chapter 3 gives an in-depth analysis of the negotiation process for the financial framework 2007-2013 and the Interinstitutional Agreement, having an explicit focus on dynamics within the Council and approaches of the several presidencies. We start with a résumé of negotiation stages, before we enter into the detailed discussion. There we show that even before negotiations were officially kicked off with the presentation of Commission's proposal on the financial framework 2007-2013, initial measures were taken by the so-called 1%-group. The first section is followed by detailed descriptions of the negotiation approaches of the Dutch and the Luxemburg presidencies, the so-called building blocks approach and the negotiating boxes.

After a short excursus on the European Parliament's first proposal for the next financial period, the late progress of negotiations under British Presidency, which finally led to an agreement between member states at the European Council in December 2005, is depicted. This prominent section is followed by a detailed description of the last stage of negotiations, which was organised in four political trialogues between the European Parliament, the Commission and the Austrian Presidency of the Council. This stage was completed with the official signing of the new Interinstitutional Agreement by the top representatives of the three institutions on 17 May 2006. The chapter is closed with a brief account of the remaining tasks for the Finnish Presidency.

Concluding, a short summary of challenges and milestones of the negotiations for Europe's new budget is provided.

2. The EU financial framework

This chapter contains a general introduction into the financial system of the European Union, focussing on concepts that are crucial for the understanding of the process of political negotiations that are discussed in this paper.

2.1. The budgetary authority and institutional balance

The Council of the European Union and the European Parliament are the two arms of the budgetary authority of the European Union. Quite different to many other areas of EU legislation, the Parliament has significant power in the budgetary procedure: its president signs the adopted annual budget of the EU; and after the budget has been implemented, the Parliament is responsible for discharging the European Commission.

The procedure for the annual budget (as laid down in Art. 272 TEC) usually starts end of April/ beginning of May with the presentation of the Preliminary Draft Budget by the Commission. The rest of the year is used for the negotiations on the draft budget between the Council and the Parliament, which are held in form of two readings in each of the two institutions. They are associated with concertation meetings between the Parliament and the Council to improve co-ordination and understanding between the two institutions. The final budget is usually adopted by the end of December.

In the course of the budgetary procedure, the Parliament by and large traditionally defends appropriations as proposed by the Commission against cuts by the Council. The Council, on the contrary, in its position as financier of the EU aims at guaranteeing budgetary discipline. For this reason, the Council also mostly takes a restrictive position when the use of the flexibility instrument is proposed by the Commission or the Parliament. This instrument has been introduced to enhance flexibility in annual budgets, i.e. to create the opportunity to exceed the ceilings of the financial framework. In most occasions, though, the Council would rather suggest creating finance opportunities through a redeployment of appropriations.

From a historical perspective, thus, the adoption of the annual budget in practice has not always been as sound as foreseen in the Treaty; especially in the 1980s, there where several years when the two arms of the budgetary authority could not agree on a budget before the start of a budgetary year. Therefore, financial means often had to be provided on the basis of provisional twelfths (see below). The Financial Perspective was introduced by the first Delors Commission as a means of mid-term financial planning. For legal and institutional requirements, it is incorporated in an Interinstitutional Agreement (IIA), which is agreed between the Commission, the Parliament, and the Council. Since this system was introduced in 1988, all budgets have been adopted on time.

2.2. Financial Perspective[1] and Inter-Institutional Agreement

As we have just shown, today annual EU budgets are based on multi-annual financial frameworks (the "Financial Perspective"), currently adopted by the European Parliament, the Council of the European Union and the European Commission for durations of seven years. The financial framework table sets out the maximum commitment appropriations per policy area (called headings) that can be entered in the EU budget each year. In addition, overall annual ceilings on payment and commitment appropriations are determined. As the EU, in contrast to national governments, cannot incur debts, these ceilings define the ultimate spending limits of the European Union.

Commitment appropriations are legal pledges to provide finance, subject to the conditions that certain requirements are fulfilled. That is to say, commitment appropriations authorise the Commission to conclude treaties on financing projects and programmes within the policy areas of the Union. Annual ceilings in the financial framework define the maximum amount that can be committed within a budgetary year. When obligations for committed finance have been met by contractors, payment obligations for the Commission are generated[2].

The maximum amounts (ceilings) for payments are also fixed in advance. As not all projects and programmes can be concluded, appropriations for payments are lower than for commitments.

[1] In the IIA 1999 (OJ C 172, 18/06/1999), the table with the budgetary ceilings per year and heading in Annex 1 was referred to as „Financial Perspective". In the course of the negotiations on the IIA 2006, this denotation was changed to „Financial Framework". Throughout this paper, both terms are used alternatively.
[2] According to Article 7 of the Financial Regulation […] 2. Commitment appropriations shall cover the total cost of the legal commitments entered into during the current financial year […] 3. Payment appropriations shall cover payments made to honour the legal commitments entered into in the current financial year and/or earlier financial years […]

As we have already indicated, the table on the financial framework is annexed to the Inter-institutional agreement (IIA) on budgetary discipline and sound financial management. The IIA itself does not only include quantitative elements; it also consists of a large qualitative part with provisions on the improvement of interinstitutional collaboration during the budgetary procedure and on sound financial management of EU funds (see below for details).

2.3. Consequences of the absence of an IIA

In the absence of an Inter-Institutional Agreement, the annual budgetary procedure (according to Article 272 TEC) governs the growth of the budget. In this case, the budget's division into two categories of expenditure, as defined in Article 272 of the Treaty, becomes relevant:

- Compulsory expenditure, which results directly from the Treaty or instruments adopted on the basis of it (e.g. CAP payments, pensions for Commission staff)[3] and
- non-compulsory expenditure (all other spending categories).

The Council has the final say over compulsory expenditure. The growth of compulsory expenditure, thus, is only limited by Council's decision. In contrast, the Parliament has the final say over non-compulsory expenditure. Its growth rate, however, is limited by the Maximum Rate of Increase, which is fixed by the Commission on the basis of average rates of change in annual GDP growth and central government expenditure (for the last two financial years). The Maximum Rate of Increase can only be exceeded by agreement between the Council and the Parliament in a conciliation procedure.

In case the two arms of the budgetary authority do not agree on a budget for the following year, a monthly budget based on twelfths of the nominal budget in the preceding year is provided (Article 273 TEC).

2.4. Challenges of a financial framework for 2007-2013

For the first time, an enlarged Union with 25 member states needed to agree on a budgetary framework for the next seven years. Against the background of stagnating economic growth in Western Europe, high unemployment in the whole EU area, with the Lisbon goals on paper and a huge gap in prosperity between „old" and „new" members, an agreement on the financial framework 2007-2013 required an unanimous decision of all member countries.

With the most recent enlargement in May 2004, 10 new countries acceded the Union whereby its population grew by about 20%, its GDP however by only about 5%. In 2004, 95% of the total EU GDP was generated in the EU15. This change in average prosperity in the European Union has its most direct effect on structural and cohesion policy where funds are usually distributed according to prosperity levels of countries and/or regions. However, how and how much should be allocated to cohesion policy was just one of the crucial questions concerning the expenditure side of the budget. Other key issues, among others, were agricultural policy (as usual), as well as Lisbon-related expenditure like R&D, Trans-European Networks (TENs), and education.

Concerning the agricultural policy, a predecision had already been taken at the Brussels European Council on 24 and 25 October 2002: At this meeting, a ceiling of 293 billion EUR (in 2004 prices) for market-related expenditure and direct payments for the years up to 2013 had been determined[4].

Besides the heterogeneous expectations and desires concerning the expenditure side, the situation on the financing or resource side of the budget, was no less complicated. In addition to the most prominent issue in this context, the UK budgetary correction mechanism or better known as „UK-rebate", the so-called net payers to the EU budget claimed a reduction of their financial burden. A fair distribution of the budgetary burden, in accordance with relative prosperity, as mentioned in the conclusions of the 1984 Fontainebleau European Council[5] was at the centre of discussions.

For all these reasons, it was neither clear nor obvious whether an agreement, firstly between member states, and secondly, between the relevant

---

[3] Article 272 TEC says that
„[w]here the European Parliament, the Council or the Commission consider that the activities of the Communities require that the rate determined according to the procedure laid down in this paragraph should be exceeded, another rate may be fixed by agreement between the Council, acting by a qualified majority, and the European Parliament, acting by a majority of its Members and three fifths of the votes cast."

[4] See Decision of the Representatives of the Governments of Member States, Meeting within the Council of 18 November 2002 concerning the conclusions of the European Council meeting in Brussels on 24 and 25 October 2002 (OJ L323/48, 18/11/2002).

[5] At the European Council in Fontaineblau 1986 Member States agreed that any Member State sustaining a budgetary burden which is excessive in relation to its relative prosperity may benefit from a correction at the appropriate time.

EU institutions, would be reached on time or at all. However, although the financial framework for the next seven years has been fixed, many of the above mentioned issues remain either unsolved or inadequately considered. For this reason, a review of the whole EU budget, expenditure and resources, is foreseen during the upcoming financial period, starting with a White Book, which is to be presented by the European Commission in 2009 at the latest. Therefore, the EU budget will remain a „hot topic“ in near future.

3. The negotiations on the financial framework 2007-2013

In order to provide the European Union with the necessary legal basis for annual budgets under the current system as well as for the implementation of multi-annual programmes from the year 2007 on, **several stages of negotiations** needed to be accomplished. Figure 1 illustrates the phases including crucial points and events graphically.

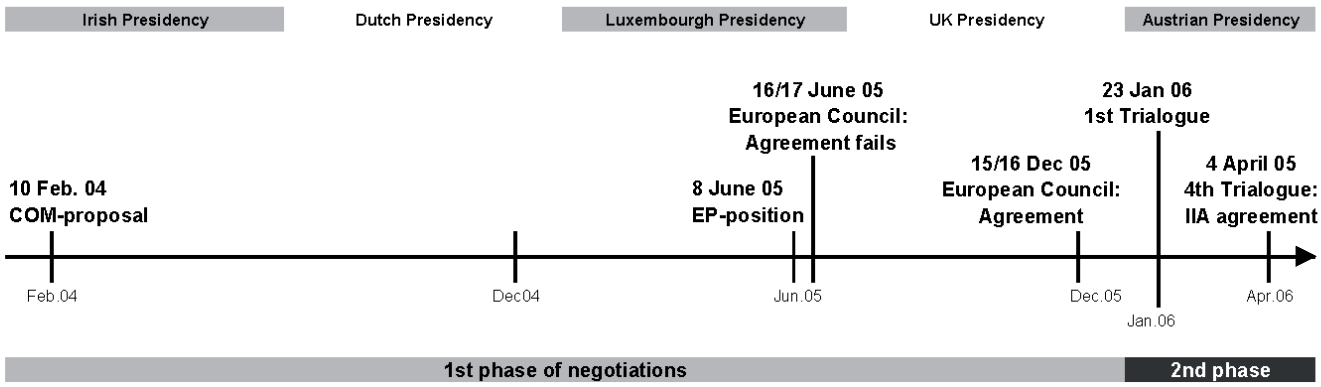

Figure 1: Timetable of negotiations

1st stage – Fixing the budgetary ceilings: First and foremost member states needed to agree on the overall maximum size of the budget for the new financial period. These so-called ceilings need to be fixed per year and policy area, i.e. heading. The Commission made a proposal on the new Financial Perspectives in February 2004[6]. This was the starting point for the negotiations in the Council, which took almost two years and could only be finished on the highest political level, by Heads of State and Government, at the European Council in Dec. 2005.

In the meantime, on 8 June 2005, the European Parliament adopted its own proposal for a Financial Perspective 2007-2013. However, inter-institutional negotiations with the Parliament could only begin after the Council's political agreement in Dec. 2005.

2nd stage – Finding an Inter-Institutional Agreement: The Financial Perspectives table is incorporated in an Inter-Institutional Agreement (IIA), which is concluded between the three EU institutions, Commission, Parliament and Council. Compared with the negotiations on the Financial Perspective, a compromise on the IIA could be found in a rather short period of time: After four political trialogues between Jan. and April 2006, a political agreement on a common text was reached on 4th April 2006.

3rd stage – Providing multi-annual programmes with a legal basis: According to the Financial Regulation Art.49 (OJ L 248, 25/06/2002) each EU programme or instrument needs a legal basis in order to be implemented. In this context about 40 legislative proposals need to be agreed on, whereby in most cases the co-decision procedure applies. As soon as the financial framework is decided, these proposals need to be adopted in order to permit a smooth transition to the next financial period. In the absence of a financial framework, financial amounts and other financial provisions could not be discussed so far. Therefore it is necessary, to reach a compromise on all relevant legislative acts as soon as possible to allow their entry into force at the beginning of the year 2007.

The first phase of negotiations is covered in Sections 3.1 to 3.5. The following Section 3.6 is devoted to the second phase, finding a compromise on the IIA. The last Section in this chapter deals with challenges and leftovers to be dealt with under the Finnish Presidency, in the second half of 2006. Each section consists of a summary of the most important developments including quantitative analyses of proposals discussed.

[6] European Commission (2004a)

3.1. The Kick-off in February 2004 under the Irish EU-Presidency

3.1.1. The 1%-group

On 15 December 2003, well before the COM had presented its political framework for the new financial perspective, six member countries signed the so called „1%-letter". There, the heads of state and government of Germany, France, the Netherlands, Sweden, the United Kingdom and Austria declared that EU expenditure should not exceed 1% of the Union's GNI in the forthcoming financial period. This was well below the expenditure ceiling for payment appropriations of 1.24% of GNI (and 1.31% pf GNI for commitments) as defined in the respective Own Resource Decision[7] in force.

Despite this rigid claim for a 1% ceiling of the EU budget, the letter refers to a strong commitment to the principle of solidarity and the maintenance of cohesion in an enlarged Union. In addition, it is stated that EU spending should add real value and aim more actively at transforming the EU into the most competitive and innovative area worldwide, thus, promoting the „Lisabon agenda". Security issues including the Common Foreign and Security Policy are mentioned as well.

Initially Denmark should have also signed the letter, however, this attempt did not receive its national parliament's approval. Nevertheless the Danish government was strongly supportive of this initiative.

In a reaction to this initiative, the president of the EU Commission at that time, Romano Prodi, promised to study the points mentioned in the letter in depth. At the same time he emphasized that with only 1 per cent of GNI an achievement of all these goals, particularly in an enlarged Union, would not be possible.

3.1.2. The original COM proposal for the Financial Framework 2007-2013

On 10 February 2004 the Commission submitted its Communication on policy challenges and budgetary means of the Union over the period 2007-2013[8]. On 23 February 2004 the President of the Commission presented the Communication to the GAERC (General Affairs and External Relations Council).

This Communication or report consists of more than 40 pages, mainly focussing on the expenditure side of the budget. Concerning the financing system or the resource side of the budget, the COM at this stage referred to the preparation of specific proposals in an Own Resource Report to be adopted before summer 2004.

Concerning the expenditure side, the COM proposal for the Financial Framework covered a seven year period from 2007-2013 (see Table 1) with the aim to fulfil the needs of a Union of 27 Member States. BG and RO were included as from 1 January 2007.

Compared to the Financial Perspectives 2000-2006,

- The number of policy areas or headings was reduced from seven to only five, thus, increasing the flexibility of the framework.
- The activities under these headings were regrouped and the order was changed, thereby emphasizing other priorities of the EU in the upcoming financial period.

In terms of figures, the COM proposed that the Union would require **commitment appropriations averaging 1.26% of EU-27 GNI** over this 7-year period. The **payment appropriations** arising from these commitments (and from the commitments outstanding from the period before 2007) were projected to average **1.14% of EU-27 GNI over the period**. This level of payment appropriations could be financed within the ceiling of 1.24% of GNI laid down in the Own Resources Decision, on the assumption that the EU-27 GNI annual growth would average 2.3% during this period. However, with a ceiling of 1.26% of EU-GNI for commitment appropriations or 1.14% for payments, this proposal largely exceeded the stipulated ceiling of the 1%-group.

[7] See Own Resources Decision of 29 September 2000 (2000/597/EC, Euratom - OJ L 253, 07/10/2000), Art. 6 European Commission (2004a)
[8] European Commission (2004a)

OVERVIEW OF THE NEW FINANCIAL FRAMEWORK 2007-2013

Million € at 2004 prices									
COMMITMENT APPROPRIATIONS	2006(a)	2007	2008	2009	2010	2011	2012	2013	Total 2007-
1. Sustainable growth	47.582	59.675	62.795	65.800	68.235	70.660	73.715	76.785	477.665
1a. Competitiveness for growth and employment	8.791	12.105	14.390	16.680	18.965	21.250	23.540	25.825	132.755
1b. Cohesion for growth and employment (b)	38.791	47.570	48.405	49.120	49.270	49.410	50.175	50.960	344.910
2. Preservation and management of natural resources	56.015	57.180	57.900	58.115	57.980	57.850	57.825	57.805	404.655
of which : Agriculture - Market related expenditure and direct payments	43.735	43.500	43.673	43.354	43.034	42.714	42.506	42.293	301.074
3. Citizenship, freedom, security and justice	1.381	1.630	2.015	2.330	2.645	2.970	3.295	3.620	18.505
4. The EU as a global partner (c)	11.232	11.400	12.175	12.945	13.720	14.495	15.115	15.740	95.590
5. Administration (d)	3.436	3.675	3.815	3.950	4.090	4.225	4.365	4.500	28.620
Compensations	1.041								
Total appropriations for commitments	120.688	133.560	138.700	143.140	146.670	150.200	154.315	158.450	1.025.035

Total appropriations for payments (b)(c)	114.740	124.600	136.500	127.700	126.000	132.400	138.400	143.100	Average
Appropriations for payments as a percentage of GNI	1,09%	1,15%	1,23%	1,12%	1,08%	1,11%	1,14%	1,15%	1,14%
Margin available	0,15%	0,09%	0,01%	0,12%	0,16%	0,13%	0,10%	0,09%	0,10%
Own resources ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%

(a) 2006 expenditure under the current financial perspective has been broken down according to the proposed new nomenclature for reference and to facilitate comparisons.
(b) Includes expenditure for the Solidarity Fund (€ 1 billion in 2004 at current prices) as from 2006. However, corresponding payments are calculated only as from 2007.
(c) The integration of EDF in the EU budget is assumed to take effect in 2008. Commitments for 2006 and 2007 are included only for comparison purposes. Payments on commitments before 2008 are not taken into account in the payment figures.
(d) Includes administrative expenditure for institutions other than the Commission, pensions and European schools. Commission administrative expenditure is integrated in the first four expenditure headings.

Table 1: Original COM-proposal for the Financial Framework 2007-2013 (COM(2004) 101 final)[9]

3.1.3. An analytical report of the Council

In the following, the Council agreed with the Presidency's suggestion that the Commission's proposal should be examined by the Committee of Permanent Representatives (COREPER). The 2004 Spring European Council subsequently invited the Council to continue the study being conducted by COREPER with a view to the preparation of an analytical report in advance of the European Council in June 2004. COREPER held a number of special sessions and also created an ad hoc Group to assist in the examination of specific aspects. At the conclusion of this phase of work, the Presidency accordingly submitted a summarizing report[10] to the European Council. At this early stage however, the report concentrated on a summary of the COM proposal and a rather general overview on Member States' views and opinions, thereby only referring to groups of Member States.

3.2. The building block approach by the Dutch EU-Presidency

The incoming Dutch Presidency continued its work based on the issues identified in the Council's Analytical Report (see Chapter 3.1.3). In mid July the Dutch Presidency submitted a note to COREPER outlining the follow-up of negotiations with the aim to make progress on the Agenda 2007 dossier and reach agreement on principles and guidelines at the December 2004 European Council, based on a progress report to be submitted to that European Council[11].

As the preparatory body for the European Council and given the horizontal nature of the dossier, the GAERC (in its General Affairs configuration) was determined as the responsible body for the conduct of work. In order to prevent any prejudgement of the outcome of the horizontal debate on the new Financial Perspective, it was also clarified that any discussion in other Council configurations would not lead to conclusions. However, the particular interest of the ECOFIN was recognized, and certain questions, such as own resources, were also dealt with in this formation. COREPER

[9] The figures under "Agriculture – Market related expenditure and direct payments" correspond to the ceilings decided by the Brussels European Council 2002 (OJ L323/48, 18/11/2002).
[10] Council of the European Union (2004a)
[11] Council of the European Union (2004b)

was responsible for preparing the Council's deliberations on this issue. In addition, an ad hoc Group was set up to carry out preparatory work on more technical issues. The indicative work programme was presented in COREPER on 8th September 2004[12].

3.2.1. Building blocks on the expenditure side

Up to September 2004, the debate on the new Financial Perspectives had mainly focussed on the overall expenditure level – 1.26% EU-GNI as proposed by the COM versus 1.0% EU-GNI as demanded by the 1%-group. The intention of the Dutch Presidency was to broaden discussions by focussing on EU policy options and their implications for expenditure ceilings. It therefore proposed the so-called „building block approach", which was accepted at the GAERC on 13/14 Septemper 2004. Such an approach should enable to identify a range of policy choices together with their financial implications.

Discussions on the building blocks were pursued heading by heading or sub-heading. Before each session or meeting of the responsible working parties, the Presidency usually distributed concrete questions, which were subsequently elaborated and presented by each delegation. A lot of work was done before and after these sessions, informal contacts became even more vital since discussions on a table with 25 member states (including an additional two as observers) could hardly reveal solutions but served more or less as official presentations of accorded views and opinions.

Each member state had its particular interest in each and every sub-heading. Besides, all these discussions were interlinked with and were made dependent on remaining issues, which were no less important, such as the own resources, the question of flexibility and finally, the interinstitutional agreement between EP, Council, and Commission. Due to this complex environment, individual delegations could hardly pursue their interest on their own but needed to find partners. In this respect, the 1%-group, despite largely diverging interests on any further detail, had communicated a clear and simple message on budgetary discipline. Another visible group was that of the newly acceded member states, that, despite no less divergent views on details, had an important shared interest in structural funds.

The task of the Presidency was therefore, to structure, reconcile and sum up interests, laying the ground for a final agreement in the near future. The building block approach served its purpose. The translation of qualitative budgetary positions as indicated by Member States finally resulted in a budgetary range for every building block. If delegations were to identify themselves with either all lowest or all highest amounts of the budgetary ranges estimated for each Heading, this would give an overall 2007–2013 budgetary range from € 666 billion (on average 0.82% EU-GNI) to € 1.028 billion (on average 1.26% EU-GNI), the Solidarity Fund, the European Development Fund and the Growth Adjustment Fund[13] included. The following building blocks were identified:[14]

[12] European Commission (2004b)
[13] The inclusion of the Solidarity Fund, the European Development Fund and the Growth Adjustment Fund into the framework of the Financial Perspectives was proposed by the COM. See COM proposal (European Commission 2004a), pages 35, 28 and 36, respectively.
[14] Council of the European Union (2004c)

Building Blocks

	COM	A	B	C	D	E	Total range
Heading 1a: Competitiveness	133 incl. GAF	123 - 133 incl. GAF	70 - 100	75 - 110	75 - 60		60 - 133
Heading 1b: Cohesion	339	338 - 340	340 - 355	295 - 335	230 - 275	190 - 235	190 - 355
Heading 2: Agriculture	405	403 - 405	330 - 380	390 - 400	405 - 415	380 - 400	330 - 415
Heading 3: Internal Policies incl. EUSF & RRI (= 6 bn€)	25	18 - 20	17 - 18	10 - 13	14 - 17	-	10 - 20
Heading 4: External Policies incl. EDF (= 22 bn€)	95	72 - 74	52 - 58	67 - 77	58 - 68	-	52 - 77
Heading 5: Administration **excl Administration Headings 1 to 4**	29	26 - 28	24 - 26				24 - 28
Total Headings 1 to 5	**1.025**						**666 - 1.028**
in% of EU-GNI	**1,26%**						**0,82% - 1,26%**

Abbreviations:

GAF	Growth adjustment fund
EUSF	Solidarity Fund
RRI	Rapid Reaction Instrument
EDF	European Development Fund

Table 2: Building blocks as included in the Progress Report, Council of the European Union (2004c)

3.2.2. Kick-off on the own resources side

As part of the Financial Perspectives package, the Commission had submitted to the Council a report on the operation of the own resources system on 14 July 2004[15]. This report was discussed in a few meetings of the own resources working group and the ad-hoc group, which further led to an orientation debate at the ECOFIN on 16 November 2004.

In this report, the COM discusses three alternatives for the financing of the EU budget, whereby in all alternatives the traditional own resources are maintained:

1) maintaining the present financing system unchanged,
2) a purely GNI-based system, which would imply the abolition of the VAT resource,
3) a system financed by tax-based resources.

However, changes according to 2) and 3) are rather far-reaching and could only be put into effect in a medium or long-term perspective.

The most pressing need in the context of the Financial Perspectives negotiations was to solve the problem of „excessive negative net budgetary balances". At the 1984 Fontainebleau European Council it was determined that no Member State should sustain a budgetary burden which is excessive in relation to its relative prosperity. Referring to this decision, Germany, the Netherlands, Sweden, the United Kingdom and to some extent Austria, demanded a reduction of their financial burden accruing from the financing of the EU budget. As for UK, since 1985 the country already enjoyed a correction of its budgetary imbalances, „the UK correction" or „UK rebate"[16].

As a short-term solution to be operational from the beginning of the next Financial Perspectives, the Commission therefore proposed to introduce a generalized correction mechanism (GCM) to correct excessive bud-

[15] European Commission (2004c) and European Commission (2004d)
[16] An explanation of the calculation method of the UK correction can be found in the Annex.

getary imbalances[17]. Such a mechanism would ensure that net positions exceeding a certain threshold (COM proposal: -0.35%) would be eligible for a correction. The amount of the correction would be based on the part of the net balance exceeding this threshold, multiplied by a refund rate (COM proposal 66%). The amount corresponding to the sum of all corrections could be capped at a total predetermined volume (COM proposal: EUR 7.5 billion per year). Concerning financing of total corrections, in the COM proposed all member states should participate in the financing according to their share in GNI. Obviously, other methods of financing would also be feasible.

Such a correction mechanism would certainly mitigate the problem of excessive net budgetary balances, however, it would not adequately solve it. In addition, due to the proposed financing of corrections by all member states according to their share in GNI, net payers that were close to but did not exceed the threshold would experience an additional burden. Overall, such a system would produce highly unpredictable results. Hence, most member states refused the GCM from the beginning.

However, at this stage of negotiations, member states views' on the „UK rebate", on the GCM, and regarding the question of corrections in general were largely divergent. In addition, a decision on the own resource side of the Financial Perspective was made dependent on the outcome on the expenditure side. At that point, almost all member states wanted the financing question to be dealt with only in the light of a global agreement on the future Financial Framework and any discussions on this issue were still considered as premature.

3.2.3. The progress report end of December 2004

As foreseen, results of all discussions under the Dutch Presidency were summarized in a progress report, which had been submitted to the European Council in December 2004[18]. Due to the complexity of the whole issue, the report on the one hand contained very general remarks, structuring opinions and views according to the number of delegations opposing or favouring certain measures, using terms such as „all", „most", „several", „a few", and „no" member state(s). On the other hand, the building blocks approach enabled to name figures or at least budgetary ranges including clarifications on qualitative issues. Therefore, the diligent and accurate work of the Dutch Presidency laid the ground for a proposal of the LU Presidency, that almost lead to a political agreement in June 2005.

3.3. The negotiating boxes under the Luxembourg Presidency

Summing up the Luxembourg Presidency, a single word seems appropriate: Almost. The whole Presidency was characterized by a strong commitment to finding a compromise, accomplished by a very small but even more efficient team, both on political and technical level. Cooperating closely with the COM, the Presidency issued one „negotiating box" after the other. These documents contained the whole Financial Perspectives package, i.e. provisions for the expenditure and revenue side as well as a table with figures, which would later on constitute Annex I of the Interinstitutional Agreement. The box should also serve as Council conclusions on the FP package.

Organization of work[19] was similar to the Dutch Presidency. The GAERC remained the responsible council formation, whereby the particular interest of the ECOFIN was recognized. COREPER had responsibility for preparing the Council's deliberations, and was assisted by the Friends of the Presidency group. Work itself was divided into two stages, the months of January and February were used for clarification of a number of outstanding technical financial issues raised by the COM proposals. The outcome was summarized in another Progress Report[20]. From March onwards, work focussed on the preparation of the decisions to be reached at the June European Council using the same method as in the negotiations on previous financial perspectives, the „negotiating box". This box should be reflecting the work conducted to that stage, including issues identified through the building blocks approach during the Dutch Presidency as well as the outcome of the orientation debates held in the GAERC in January and February 2005.

3.3.1. Intense discussions on the basis of „negotiating boxes"

The first box[21] was presented to COREPER on 8 March 2005. This document incorporated 52 articles which on the one hand, should serve as the basis for the conclusions of the June European Council and on the other, iden-

[17] An explanation of the calculation method of a generalized correction method can be found in the Annex. For an explanation of the own resources system of the EU in general, please refer to the Commission report on the operation of the own resources system: European Commission (2004c). This document is publicly available on the website of the European Commission, DG Budget. See also the European Commission (1998) "Financing the European Union".
[18] Progress Report from the Presidency to the European Council, doc 16105/04 CADREFIN 163.
[19] Organization of work during the LU Presidency, see Council of the European Union (2005a) and (2005b).
[20] See Council of the European Union (2005c)
[21] Council of the European Union (2005d)

tified the main problems to be addressed in further negotiations. At this stage, the negotiating box did not contain any budgetary amounts.

Regarding some expenditure categories and the question of own resources, the provisions of the first box were very vague. However, for some headings, this document already included very concrete proposals or measures. This is especially true for Heading 1b, the structural and cohesion policy. Articles 10 to 36 were devoted to this expenditure category, already defining eligibility criteria for the different programmes under this heading and the method of allocation of funds to countries and regions. This was enough information for the MS' structural funds experts to start with calculations and estimations on future allocations.

A revised version of the box was distributed end of April, reflecting the outcome of discussions so far[22]. The next version of the negotiating box was then presented in mid May. This document was of particular importance and interest since for the first time, it included figures for the overall expenditure per heading. Everybody knew, a compromise for a total expenditure ceiling 2007-2013 would have to lie somewhere between the COM proposal of 1.24 % of GNI, i.e. 1.022 billion EUR, and 1 %, i.e. 815 billion EUR, as demanded by the 1%-group. Would the Presidency propose a ceiling closer to the COM or closer to the 1%-group's demand?

The LU Presidency solved this dilemma by determining budgetary ranges in % of GNI for each heading instead of proposing a single concrete amount. Summing up the lower limits referred to in the box, a ceiling in commitment appropriations of 864.1 billion EUR or 1.05% would be reached. The upper limits added up to 905 billion EUR of 1.10% of EU-GNI. From this moment on, almost another year had to pass until a hard-earned solution was found between Parliament, Council and the COM. Funnily enough the final compromise reached in April 2006 fixed the total ceiling in commitments of 864.3 billion EUR, which pretty much corresponds to the lower limit of the first LU proposal.

In the run-up to the European Council in June 2005, another two revisions of the negotiation box followed in June. This adds up to a total of five documents from March to mid June and a sixth one, which was distributed during the final Council meeting:

Negotiating box version	Date	Document number
1	8 March 2005	7054/05 CADREFIN 43
2	21 April 2006	8292/05 CADREFIN 84
3	19 May 2005	9065/05 CADREFIN 108
4	2 June 2005	9637/05 CADREFIN 115
5	15 June 2005	10090/05 CADREFIN 130
6	17 June 2005	10090/05 Add1 CADREFIN 130

Such a large number of documents shows how intense discussions had been in between. Negotiations took place in numerous meetings on technical as well as political level including a series of bilaterals, held before the second of the two ministerial conclaves. The LU Presidency demonstrated a strong commitment to reaching a deal at the European Council on 16th and 17th June 2005. At the beginning of the year, hardly anybody had believed in a deal in June; however, after such an intense period of work, there seemed to be a realistic chance.

3.3.2. The European Council in June 2005

The strong commitment of the LU Presidency in trying to find a compromise could also be observed at the final stage of negotiations in the first half of 2005, the European Council in Brussels on the 16th and 17th June 2005. This meeting had not been doomed to failure from the beginning. The starting point of discussions of heads of state and government was negotiating box number 5 from 15 June 2005[23], which proposed a total ceiling for commitments of 868 billion EUR, corresponding to 1.053% of EU-GNI. Concerning the own

resources[24], this document proposed

- To freeze the rate of call of the VAT resource at 0.30% of the harmonized tax base.
- To replace the present mechanism for calculating the UK budgetary correction by a system whereby the nominal amount of the correction to be budgeted as from 2007 shall be frozen at its nominal average over the seven year period immediately prior to the most recent enlargement (1997–2003)
- To fix the rate of call of the VAT resource for Germany, the Netherlands and Sweden at 0.15% for the period 2007 2013
- To allow the Netherlands and Sweden to retain an additional benefit equivalent to 10% of the collection costs retained by the Member States of the traditional own resources.

[22] Council of the European Union (2005e)
[23] Council of the European Union (2005h)
[24] An explanation of the own resources system of the EU would go beyond the scope of this paper. Therefore, for further information please refer to the Commission report on the operation of the own resources system: European Commission (2004c). This document is publicly available on the website of the European Commission, DG Budget. See also European Commission (1998) "Financing the European Union".

Concerning the rate of call of the VAT resource, a complicated mechanism had been in place so far, where the rate of call had been calculated each year depending on the amount of the MS' financing shares of the UK rebate. The Commission's proposal to fix the VAT call rate to 0.30% was accepted in December 2005 by all Member States.

As far as the UK rebate is concerned, it was very unlikely that UK would accept the proposed solution which would have frozen the rebate at around 4.6 billion EUR per year. In the meantime, the UK correction had risen to about 5 billion per year and was estimated to increase during the upcoming financial period to about 7 billion EUR per year.

Regarding the problem of excessive negative net budgetary balances, the COM proposal of a generalized correction mechanism did not find the necessary support of at least a few member states. Therefore, the LU Presidency proposed to introduce specific measures for those member states bearing an excessive budgetary burden. Therefore, Germany, the Netherlands and Sweden should be granted a lower rate of call of the VAT resource of 0.15% instead of 0.30%. In addition, the Netherlands and Sweden would be allowed to retain 35% instead of 25% of the collected amount of traditional own resources. Throughout the negotiations, Austria had also asked for compensations as it regarded itself as part of the group of excessive net payers.[25] However, this had not been accepted by the LU Presidency.

Discussions on the Financial Perspectives started on the second day of the summit, on June 17th at around 10.00 am. The day before had been devoted to the European Constitution. Negotiations at the European Council started with a tour de table where most member states confirmed how important it was for the Union to find a deal, particularly against the background of the developments concerning the European Constitution. However, since member states could not agree on the negotiating box on the table, discussions were interrupted at noon, and the Presidency started with bilateral talks with member states most opponent to the proposal. On the basis of the bilaterals, a final compromise package was prepared the same evening, and presented to member states in the final round of discussions, at 11.15 pm.

The final proposal[26] included an overall ceiling of commitments of 872 billion EUR, corresponding to 1.06% of GNI. On the own resource side, the Presidency was rather generous:

- The UK correction mechanism would have remained, however, expenditure for the new member states which had acceded the Union in May 2004, except for agricultural expenditure of the so-called first pillar of the common agricultural policy, should not have been included in the calculation. Although this would have reduced the level of rebate, this was an important concession, since the mechanism itself although criticized by all other member states, would have remained in place.
- The compensations for the Netherlands and Sweden would have increased through a further reduction of the rate of call of the VAT resource to 0.10% and an additional gross reduction of these countries' annual GNI contributions of 210 and 105 million EUR respectively. The benefit of an additional 10% of collection costs to be retained by the two countries was deleted instead.

Not only on the revenue but also on the expenditure side, the Presidency was generous. Especially provisions for Heading 1b, the structural and cohesion policy, contained numerous articles with arrangements for certain member states. Partly member states were named, in other parts, eligibility criteria were formulated in a way that certain countries would qualify. A prominent „gift" for instance was the introduction of a phasing out of the cohesion fund, vehemently claimed by Spain. The whole discussion on the Financial Perspectives increasingly resembled an oriental bazaar.

It was almost midnight when the voting on this last LU proposal started. During this final round, five countries rejected the proposal: UK, the NL, SE, ES and FI. The first three member states were neither satisfied with the proposed solution on the own resource side, nor with the overall (high) volume of expenditure. Spain had particular interest in the structural funds, Finland was overall unsatisfied. During the various analyses after this failure, there was some speculation that if UK had agreed, the deal would have gone through.

On 17th June, shortly after midnight it was clear, that the last LU proposal had been rejected. However, negotiations were not interrupted immediately but rather talks continued, since a large majority of member states was still eager to settle an agreement. What then happened was particularly embarrassing for the „old" member states, since the heads of state and government of the newly acceded countries spontaneously offered a „sacrifice" – they were prepared to accept another cut in expenditure in order to find a common agreement. However, the exact amount of the „sacrifice" could obviously not be specified, since this was a spontaneous reaction and finally, could

[25] During the negotiations on the own resource decision applied from the year 2000, Germany, the Netherlands, Sweden an Austria were granted a reduction of their financing shares of the UK rebate, the so-called „rebate of the rebate". Therefore, Austria was usually seen as part of the group of excessive net payers.
[26] Council of the European Union (2005i)

not prevent the failure. Nevertheless it confirmed the willingness of the new members and was particularly embarrassing for the „rich" and settled EU members, whose share in EU-GNI was larger than 90%.

3.4. The European Parliament adopts a position

In June 2005 the European Parliament adopted a position on policy challenges and budgetary means of the enlarged Union 2007-2013.[27] For the first time since the system of Financial Frameworks has been established in 1988, the Parliament developed an own position before the Council agreed upon a multi-annual budget for the next budgetary period and, thus, significantly before negotiations on the new IIA were opened. In this paper, the Parliament called for a shortening of the timeframe of the Interinstitutional Agreement to a 5-years period so that it would correspond to the political mandates of the European Parliament and the Commission. Contrary to hitherto experience with IIA negotiations, for the first time in history EP's financial requests for the next financial framework remained below the Commission proposal: while the Commission suggested to have a European budget of 1.24% of EU-27 GNI in commitment appropriations for the period 2007-2013, the Parliament demanded 1.18%. However, the European Parliament suggested that 0.03% of GNI should be allocated to flexibility, of which a large share would be outside the Financial Perspective. These would be distributed among different instruments as follows:

- Reserve for competitiveness (up to a maximum of EUR 7 billion, within Heading 1a), that would allow the Union to react to economic changes.
- Reserve for cohesion (up to a maximum of EUR 3 billion, within Heading 1b)
- Emergency Aid Reserve (up to a maximum of 1.5 billion, placed outside the Financial Perspective)
- Solidarity Fund (up to a maximum of EUR 6.2 billion, kept outside the Financial Perspective)
- Reserve for loans guarantee (up to a maximum of EUR 3.0 billion, moved outside the Financial Perspective)
- Reserve for Flexibility (up to a maximum of EUR 3.5 billion)

From the very beginning, the EP linked financial demands with additional aspects that the future interinstitutional agreement should contain. Among those ranked top priority were:

- Certification by member states for sound implementation of community funds under shared management; preferably the highest political and managing authority, i.e. the national ministers of finance, should be accountable for the reliability of accounts.
- Linking the IIA with the modification of the Financial Regulation, having a focus on facilitating implementation and procedures;
- Simplification of financing instruments for external policies, while at the same time strengthening the role of the EP in defining objectives and thematic programmes;
- Discussing EU expenditures in the overall context of own resources, that should lead to a fairer distribution of net burdens in the short term and, before the end of the next Financial Perspective, to an independent EU funding system.
- Creation of new financial instruments to address market failures and work as catalyst for private investors, in particular in the field of SMEs.

In this context it should be mentioned that while there were regular and close contacts between the LU presidency and the European Parliament, the UK presidency chose a strategy of economising on Parliament contacts as long as negotiations within the Council were going on.

3.5. The Council comes to an agreement under the UK Presidency in Dec. 2005

Compared to LU, the UK Presidency's approach to the follow-up of negotiations can be described in a quite opposite way. First of all, the whole negotiation process almost came to a standstill until about November 2005. In comparison, the LU Presidency had followed a very tight schedule, and as a result, much progress had been achieved. Furthermore, there had been no doubt about the Presidency's commitment to finding a solution. The waiting game during the first months of the UK Presidency, however, left much room for speculation about UK's willingness to finding a solution at all. Concerning the preparation of Presidency proposals, the LU Presidency was characterised by a very close cooperation with the COM. Therefore, proposals were always supported and backed by the latter. UK, however, kept cooperation with the COM to a minimum, largely relying on its own administration and personnel.

[27] See European Parliament 2005

Such an approach is easily understandable, if UK's situation is analysed more closely. UK had never benefited much of agricultural payments, which had led to the introduction of the UK-rebate. In a speech before the EP in July 2006, UK's prime minister Tony Blair claimed a substantial reform of the EU budget, particularly a cutback of the agricultural policy and an increase for R&D expenditure. However, any attack on the CAP could not be left uncommented by the French. President Jaques Chirac therefore reacted by insisting on the compromise achieved at the Brussels European Council 2002. At the beginning of the UK Presidency the well-known conflict between UK and France more than ever overshadowed any attempts for a compromise.

For the British, the current system was very favourable, particularly regarding the question of own resources, i.e. the UK rebate. Whatever solution was found, it would certainly not ameliorate UK's position; quite the contrary, concessions were more than probable. Due to its rebate, the country had been a minor net payer throughout the period of the Agenda 2000. As can be inferred from Table 3, other net payers suffered from a much higher burden. In addition, in a ranking of EU member states by GDP per head in PPS (Purchasing Power Standard), UK was the third or fourth richest. For all these reasons, pressure for concessions on the UK rebate from all other member states was substantial.

	2000	2001	2002	2003	2004	2005	Arithmetical average
NL	-0,36%	-0,51%	-0,46%	-0,41%	-0,42%	-0,52%	**-0,45%**
SE	-0,41%	-0,40%	-0,29%	-0,35%	-0,38%	-0,30%	**-0,36%**
DE	-0,41%	-0,34%	-0,23%	-0,35%	-0,32%	-0,27%	**-0,32%**
AT	-0,22%	-0,26%	-0,10%	-0,15%	-0,16%	-0,11%	**-0,17%**
FR	-0,05%	-0,14%	-0,14%	-0,12%	-0,18%	-0,17%	**-0,13%**
IT	0,10%	-0,16%	-0,23%	-0,06%	-0,21%	-0,16%	**-0,12%**
UK	-0,19%	0,06%	-0,15%	-0,14%	-0,16%	-0,08%	**-0,11%**
DK	0,14%	-0,13%	-0,09%	-0,12%	-0,11%	-0,13%	**-0,07%**

Table 3: Net budgetary balances 2000 to 2005 in GNI %. [28]

The function of the Council Presidency is mostly described as that of an honest broker who, irrespective of national interest, has to find balanced compromises between member states and EU institutions. Everybody was curious how UK would manage to deal with this conflict of interests.

3.5.1. „Five proposals to relaunch negotiations“

After the summer break, the negotiating process on the Financial Perspectives started with bilaterals on high technical level in London. By the end of September 2005, all member states had visited UK and presented their position. All delegations were obviously very curious to learn about results from these talks. A debriefing was therefore promised for the GEARC on 3 Oct. 2005. However, despite criticism of some member states, the Financial Perspectives was not put on the agenda as a normal B-point, but a short debriefing was only held during the lunch of foreign ministers. During this lunch some countries expressed their wish to cover the EU budget question at the informal European Council later in October – without success.

At that time it was not quite clear whether the Council Presidency would seriously try to find an agreement by the end of the year, i.e. at the European Council in December 2005. In order to give impetus for a resumption of negotiations – and with a view to the EP's demands - , COM President José Manuel Barroso wrote a letter to the President of the Council, Tony Blair, and the President of the European Parliament, Josep Borrell Fontelles, with five proposals to relaunch negotiations. These five proposals included:

1. A specific earmarking of funds from cohesion and rural development spending to reinforce the drive for growth and jobs

[28] Source: European Commission (2006e), „Allocation of 2005 EU expenditure by Member State“, page 138

2. The set up of a „Globalisation Adjustment Fund“ helping to absorb shocks and consequences from globalisation[29]
3. In the agricultural sector, a voluntary modulation of direct aid to rural development
4. An over-arching review of the EU budget
5. A inclusion of the EDF (European Development Fund) in the regular EU budget and enhanced rights for the European Parliament in the field of external actions

3.5.2. In the run-up to the European Council in December 2005

Open discussions on the Financial Perspective under the UK Presidency started in a COREPER meeting on 3 November 2005 in the format of „ambassadors only“. Only one and a half months were left until the European Council, scheduled for 15 and 16 December, should take place. From that moment on, negotiations were resumed with a similar dynamic as under the LU Presidency. Before an agreement was reached only a few weeks later, the Financial Perspectives would have to be discusses at another four Council meetings, mainly in the format of foreign ministers, each one prepared by a COREPER session. An additional session of the Friends of the Presidency group on 11 November 2005 was used to further clarify the five proposals presented in the COM President's letter from October.

Delegations were anxiously waiting for the first negotiating box drawn up by UK. This proposal was only presented two days before a conclave of foreign ministers on the Financial Perspectives to be held on 7 December 2005. This was the third of the four Council meetings during the one and a half months in the run-up to the European Council.

As expected, the first UK proposal[30] consisted of three instead of two parts:

Part I: Expenditure
Part II: Revenue (i.e. own resources)
Part III: Review

The first part included a total ceiling for expenditure (in commitment appropriations) of 846.8 billion EUR or 1.03% of EU-GNI. This was substantially lower than the last LU proposal, of 872 billion EUR or 1.06% of EU-GNI. This cut of about 25 billion affected mainly Heading 1b, the structural and cohesion funds, and Heading 2, agricultural expenditure, particularly rural development funding. This was not too surprising since these two (sub) headings accounted for more than two thirds of the EU budget and therefore they allowed for such substantial cuts. Compared to the last LU proposal, there were no cuts in Heading 1a which includes expenditure most directly related to the Lisbon strategy such as funding for Research & Development, Education and Trans-European Networks. However, although UK was a fierce proponent of an increase in „1a expenditures“, as Presidency they refrained from doing so in their proposal. This shows how limited room for manoeuvre was.

What would UK propose on the revenue side of the budget? Certainly, UK tried to keep as much of the rebate as possible. Concerning the compensations for excessive net payers (DE, NL, SE), UK's first negotiating box more or less included the same measures as the last LU proposal besides a further increase of compensations for the NL. Regarding the rebate, the document proposed two alternatives, both keeping the rebate and its complicated calculation method and offering an increase of UK's contribution to the EU budget of about eight billion EUR for the period 2007-2013 in total[31]. The rebate was estimated to reach a volume of five to seven billion per year during the period 2007-2013. UK's offer would therefore result in a yearly decrease of the abatement of a little more than a billion. Although nobody had hoped for an abolishment of the rebate, disappointment about this proposal was certainly the case.

Part III of the first UK negotiating box consisted of three articles covering the review of the EU budget. In 2008 the COM should present a report which would be considered by the European Council in order to make changes to the Financial Perspectives 2007-2013 or in the period post 2013.

After the foreign minister's conclave another GAERC was held on 12 and 13 December, however, the Financial Perspective was not discussed. The time between the conclave and the European Council was rather used for bilateral contacts on all levels, so that a revised version of the UK proposal was presented a day before the European Council on 14 December.

3.5.3. The Council position on the Financial Perspectives

A revised version of UK's negotiating box with only minor changes on the expenditure side was distributed to delegations on 14 December.[32] In this proposal, the ceiling for expenditure was increased by about 2.5 billion in Heading 1b, which was mostly due to further „gifts“ and special arrangements for particular member states.

[29] Die idea of a Globalisation Adjustment Fund was not a completely new one. A similar proposal, labelled under “Growth Adjustment Fund”, had already been part of the COM proposal for the Financial Perspectives 2007-2013 from February 2004. See European Commission (2004a) page 36.
[30] Council of the European Union (2005j)
[31] Source: Calculations of the Austrian Ministry of Finance, in 2004 prices.
[32] Council of the European Union (2005k)

The European Council started on 15 December 2005, at 5.00 pm. This evening was used to adopt the conclusions on all other subjects besides the Financial Perspectives. The whole following day should be devoted to the latter. On Friday morning, the Presidency started with bilaterals. The plan was to adapt the negotiating box according to the wishes of the strongest opponents and then go into plenary and adopt the box as conclusions. The Presidency knew that discussions in plenary with 50 people[33] around the table, would be no longer useful. Still, hardly anybody expected the whole day to pass without a plenary session. That Friday, the UK probably experienced one of the country's hardest days in its function as Council Presidency. The whole day and night UK representatives, both on political and technical level, did nothing else but listening to member states, coordinating, making changes to the negotiating box, calculating, recalculating, continuing with talks etc. It soon became clear that either a solution was found that day or the whole system of the financial frameworks was threatened.

At some point, a last revised box was announced for the afternoon. Then, the distribution of the box was delayed several times. Delegations that had more or less accepted the negotiating box in its current version must have had a very boring time. However, for those countries who were still fighting for another benefit or advantage (among them Austria particularly seeking for a decrease of its gross contribution) time passed quickly and they had to make sure that their messages were passed on to the right representatives of the Presidency. Similar to the European Council in June, the whole situation had more resemblance with a bazaar than anything else. Suddenly, around 9.00 p.m., rumour spread around that the British model for the calculations had collapsed and had to be rebooted. From the beginning, UK had preferred to use its own model although (or maybe because) results did not correspond to COM calculations.

It was already past midnight when, finally, the last version of the box was distributed to MS' delegations.[34] In a plenary session at 2.00 a.m. on Saturday, 17 December 2005, 25 Heads of State and Government adopted a common position of the EU budgetary ceiling for 27 Member States throughout the period 2007-2013.

As mentioned in one of the previous paragraphs, as a result of the „bazaar-like" negotiations, the final document included all sorts of open and hidden „gifts" for the MS. Besides that, a budgetary ceiling for EU expenditure (in commitment appropriations) of 862.4 billion EUR or 1.045% of EU-GNI was agreed.[35] This was 10 billion lower than the last LU proposal. In payment appropriations this resulted in 819.4 billion EUR or 0.99% of EU-GNI. Summarizing, this agreement was below the COM proposal and the EP position. It did not fulfil the claims of the 1% group either (at least in terms of commitment appropriations). However, the COM proposal of 1.26% of EU-GNI had been cut substantially and, despite an EU enlargement where the number of member countries had almost doubled, the budget would only infer a rather small increase.

Concerning the own resources, the UK rebate survived another time. However, UK at least agreed to a change concerning expenditure for the new member states (NMS) which had acceded the Union in May 2004 and future enlargements. Receipts of EU funds of these countries, except for direct payments and market-related expenditure (i.e. 1st pillar of the Common Agricultural Policy), should be no further included in the calculation resulting in a decrease of the volume of the rebate. However, this change in the calculation would not take effect immediately but would be phased in from 2009 on. In addition, this decrease in the volume of the rebate or the „additional contribution from the UK" for the period 2007-2013 was capped with 10.5 billion EUR.

The four largest net payers in GNI% (NL, SE, and AT) and also in absolute figures (DE) first of all kept their „rebate on the rebate" which had been introduced at the Berlin European Council in 1999. Further, all four countries were granted a reduction of their VAT-based payments for the period of 2007-2013 only. The rate of call of the VAT resource for Austria was fixed at 0.225%, for Germany at 0.15% and for the Netherlands and Sweden at 0.10%. During the same period, the Netherlands and Sweden received an annual gross reduction in their GNI contribution of 605 million EUR and 150 million EUR, respectively. This can certainly be viewed as a big success of these countries' negotiation strategy whereby the compensation for the Netherlands was particularly generous.

The conclusions also included two articles on a review of the EU budget:

> *„79. Europeans are living through an era of accelerating change and upheaval. The increasing pace of globalisation and rapid technological change continues to offer new opportunities and present new challenges. Against this background, the European Council agrees that the EU should carry out a comprehensive reassessment of the financial framework, covering both revenue and expenditure, to sustain modernisation and to enhance it, on an ongoing basis.*
>
> *80. The European Council therefore invites the Commission to undertake a full, wide ranging review covering all aspects of EU spending, including the CAP, and of resources, including the UK rebate, to report in 2008/9.*

---

[33] Member states were represented by their Head of State and Government and Foreign Minister.
[34] Council of the European Union (2005l)
[35] The final Financial Perspectives Table 2007-2013 can be found in the Annex.

On the basis of such a review, the European Council can take decisions on all the subjects covered by the review. The review will also be taken into account in the preparatory work on the following Financial Perspective." [36]

With the Council's political agreement on the Financial Perspectives the first stage of negotiations was concluded. It was on the next Presidency to find a formal agreement between the three institutions, EP, Council and Commission.

3.6. Settling on an Inter-Institutional Agreement under the Austrian Presidency

After member states reached an agreement on the next financial framework in December 2005, the main task to be fulfilled by the Austrian Presidency remained the settling on a new Interinstitutional Agreement between the Parliament and the Council. To this end, both arms of the budgetary authority started to develop new strategies, based on the numbers agreed upon in the December European Council. The negotiations were organised in four political trialogues, which were prepared and supported by another 7 trialogue meetings on technical level. Compromise could be reached at the fourth political trialogue on 4 April 2006. After the compromise has been formally accepted by the Council and the European Parliament, the new Interinstitutional Agreement could be signed by the three parties on 17 May 2006.

3.6.1. First reactions to December compromise and strategy building

The first month of negotiations predominantly involved preliminary political contacts and strategy building on all sides of the negotiation partners. The Council, led by the Austrian Presidency, decided to have all major discussions in the framework of COREPER II, while information on political level should be distributed in the framework of GAERC. In terms of strategy, it was decided to wait for the Commission proposal on a new IIA before discussions on a mandate for the negotiations would be started. On 18 January 2006, negotiations were officially opened by President Borrell on behalf of the European Parliament, President Barroso on behalf of the European Commission and Chancellor Schüssel on behalf of the Council of the European Union. The first trialogue meeting was held on 23 January 2006. At this occasion, all negotiation partners confirmed their willingness as well as the political importance to come to a quick agreement.

In a first reaction (as adopted in a resolution on 18 January 2006), the EP rejected the tight financial framework as agreed by the Council and reminded negotiating partners of EP's position as adopted in June 2005. It severely criticized the Council agreement for its restrictive budget, which would fall short of meeting all political priorities of the enlarged Union, and lacking provisions for flexibility[37]. It reiterated its demand for a degree of flexibility representing at least 0.03% of EU GNI for the next 7 years.

At the same time, the EP clarified further cornerstones of its requests. For the review clause, the EP required to incorporate it in the IIA and claimed a strong role for itself to play in the review process; that is to say, in the end, both arms of the budgetary authority should decide on the results of the review and their impact on the financial framework. The amended financial regulation should be agreed upon in a "real conciliation procedure" as foreseen by a joint declaration from the year 1975. For the issue of certification of EU spending by member states, member states should identify national bodies to be responsible and accountable for EU funds spent under shared management. On this point, a Commission action plan that was presented in beginning January had already submitted some suggestions.[38] The request for new financial instruments to work as catalysts for public and private investors was also renewed and the Commission asked to make appropriate proposals. Important fields for interventions would be competitiveness, SMEs, TENs as well as research and development.

Further issues to be discussed in the IIA context were agencies, for which the EP wanted to introduce an own heading outside the financial framework, administrative expenditures and democratic scrutiny for external actions. In the case of external instruments the EP wanted to get involved in the definition of the legislative framework as well as in multi-annual financial programming. Moreover, the European Parliament renewed its claim that the Union needs to have a transparent and independent own resources system to replace the existing one. On this issue, preparatory work should be conferred to a conference involving the European Parliament and national parliaments. The budgetisation of the European Development Fund (EDF), which was rejected by the Council, remained an issue.

Despite all these claims, the European Parliament underlined its willingness to enter into negotiations, provided the Austrian Presidency would be entrusted with a real negotiating mandate from member states. In terms of priorities, negotiations would focus on numbers, followed by political priorities with regard

---

[36] Council of the European Union (2005l), Articles 79 and 80
[37] See EP 2006a
[38] COM action plan see COM(2006)009

to creating European added value and a number of reform projects for the community budget. For example, provisions on internal control and principles for sound financial management should also be integrated into the IIA itself, thus linking two fronts of negotiations on budgetary issues between the Council and the European Parliament.

3.6.2. First Commission proposal on a renewed IIA and the Barroso letter

In the meantime, the European Commission started with the preparations for a proposal on the new Inter-institutional Agreement, which should reconcile the Council conclusions from December and requests as laid down by the Parliament. After interventions by the EP, the Commission decided, for the time being, to skip the table on the next financial framework in the first version, which was presented on 1 February 2006.[39] It was aimed at ensuring additional flexibility as compared to the present period, integrating the provision for an effective European Globalisation Adjustment Fund as well as a clause on a comprehensive review of the European budget. For flexibility, especially two amendments compared to the present period were proposed:

1. Extending the flexibility instrument from 200 to 700 Mio. Euro per annum and loosening the criteria for utilisation (multi-annuality of interventions, rolling-over of amounts).
2. Creating more flexibility in multi-annual programmes that are adopted in co-decision procedure *(for details see below)*.

In addition, the following major changes, in comparison with the existing IIA, were contained:

- A fixed deflator of 2% should be introduced for technical adjustments to current prices. The hitherto system contained fixed deflators only for agriculture and structural funds spending, while there were variable deflators, depending on price and GDP changes, for all other spending categories.
- Adjustment of cohesion funding for member states in which growth rates have diverged by more than 5% from the cumulated GDP estimated when drawing up the IIA. However, these adjustments should not exceed € 3 billion and, if positive, be limited to the level of under-spending against the sub-heading for structural policy for the years 2007-2010.[40]
- Integration of the provision for a review of EU spending and resources in 2008/2009 in the IIA text; by that time the Commission will present a White Paper to the Council and the EP.
- Widening the scope of interventions that might be financed under the loans guarantee reserve. Its annual amount will be fixed at € 221 million (at 2004 prices). The reserve will be entered in heading 4.
- Integration of the EU Solidarity Fund, which was established in 2002, in the IIA text body. The annual ceiling will be kept at € 1 billion, outside the financial framework.
- Creation of the European Globalisation Adjustment Fund with a maximum annual amount of € 500 million, that should be funded from any margin existing under the global expenditure ceiling of the previous year and/or from commitment appropriations de-committed during the previous two years.
- A provision for the case that the financial framework is extended beyond 2013 and another enlargement of the Union occurs after that time.
- Inclusion of paragraphs on accurate forecasts in relation to Structural Funds and Activity Statements in the provision on the establishment of the budget.
- Establishing enhanced flexibility in multiannual programmes adapted under the co-decision procedure. In contrast to the existing IIA, derivations of up to 10% from fixed amounts would be enabled without additional reasoning. Departures beyond this amount would only be possible if justified by new, objective, long-term circumstances.
- Enhanced rights to information for the European Parliament in the field of the Common Foreign and Security Policy (CFSP).

One day after the Commission came up with the renewed proposal on the IIA, Commission president Barroso sent a letter to Josep Borrell Fontelles, president of the European Parliament, and to Wolfgang Schüssel, president of the Council, to set the agenda for future rounds of negotiations. He reaffirmed the importance of incorporating the review clause in the IIA and extending the scope for flexibility. Moreover, he indicated that the introduction of new financial instruments for research and development, i.e. a finance facility of at least 10 billion Euro to be established by the European Investment Bank, the review of the financial regulation by "a real conciliation procedure" and certification of member states accounts will be crucial topics for the forthcoming negotiations on the part of the European Parliament. Besides, president Barroso clarified that voluntary transfers from CAP payments to rural development (as contained in the conclusions of the European Council from December 15 16[41]) would hardly be possible in practice. Besides, he regretted that the budgetisation of the European Development Fund was not supported by the Council.

[39] See European Commission (2006a)
[40] See Council of the European Union 2005l, No. 42, p.17
[41] Council of the European Union 2005l, No. 62, p. 23

3.6.3. A slow but steady process of rapprochement

The Commission's IIA proposal and further suggestions as laid down by president Barroso in his letter were commented by the European Parliament in its Working Paper No. 4, presented on 2 February 2006.[42] In this paper, the EP indicated some contentment with the modifications for the flexibility instrument and the Solidarity Fund, but was discontent with most of the other provisions. However, also in the field of flexibility it signalled that amounts were still by far too low and provisions for lighter mobilisation of the flexibility instrument missing. Apart from flexibility, most of its "key points" would still not be reflected in the IIA and also be only mentioned in the Barroso letter with a rather weak formulation. This would also be true for the review process, where the role of the European Parliament in the decision of extension, modification or confirmation of the provisions in place is not defined. For all those reasons, the EP argued that the Commission proposal could not serve as fair basis for negotiations and that it thus needs to present its own proposal for a new IIA.

Discussions in COREPER started one week after the IIA proposal was presented by the Commission. Right from the start there was more or less unanimous agreement that neither an increase in flexibility, nor the inclusion of the review clause in the IIA seemed justified or required. With regard to flexibility, it was clear that the Commission proposal needed further clarification on issues like multi-annuality and possibilities of rolling amounts over to subsequent budgetary years. Also, member states reiterated their concerns about the extension of the fixed deflator to cover all spending categories and the increasing margin for flexibility in co-decided programs. The Commission agreed to present fiches on technical issues of flexibility, reference amounts in co-decided programmes and impacts of a fixed deflator. In a first discussion of the indicative breakdown of the numbers of the European Council agreement (see below), its negative impacts on CFSP and research funding was criticised at COREPER level. Moreover, the letter of President Barroso was negatively perceived by the Council. As a main result of the discussions, however, the Presidency was granted a sufficiently flexible, oral mandate for the Trialogue meeting on 21 February 2006.

As mentioned earlier in this chapter, the Commission facilitated negotiations by preparing documents that should help to conciliate EP and Council positions. Those documents aimed at subsuming the issues addressed in the Barroso-letter from 1 February 2006 and the additional points raised by the EP in the course of the negotiations. It contained text proposals for all important issues that came up in the first couple of weeks: for new financial instruments, the Financial Regulation, certification by member states, democratic scrutiny of external actions, agencies, own resources and financial programming.[43] Moreover, an indicative financial breakdown, based on the results of Council's agreement from December 2006 was presented.[44] Summarising, the Commission straightened out that due to the serious cut in funding as compared to the Commission proposal for the financial period 2007-2013, there would be significant financial drawbacks in the fields of research and TEN, but also for headings 3a and 3b as well as development and neighbourhood policies.

On the occasion of the second political trialogue on 21 February 2006, the partners of negotiations concluded that further work would be needed. They agreed to continue working in a higher gear with a view to building on better mutual understanding they have obtained. The goal of achieving agreement on the new IIA, thus, should be attained by April 2006.

In the Council, work continued in the setting of COREPER with a report on the second political trialogue and the continuation of the debate on the financial breakdown. Generally speaking, the reactions on the results of the second trialogue were positive. Critique continued, however, on the distribution of funding as presented by the Commission in its indicative breakdown; especially in the fields of TEN, research, lifelong learning and CSFP a lot of member states showed discontentment.

In its Working Document No. 5, the European Parliament clarified that from its point of view the second political trialogue had started the active phase of negotiations.[45] In this regard, it commented the Commission's moderating papers and renewed its demands with regard to financial needs, an improved structure and flexibility of the budget and the improved implementation through reforms and the preservation of the Parliament's institutional rights.

3.6.4. Endgame

In the first weeks of March, the process of negotiations continued on technical level. In the course of those preparations, no major progress could be achieved. The European Parliament even set new foci and emphasised topics, which already seemed to have disappeared from negotiations, like the creation of a cohesion reserve for member states with the best performance in terms of utilisation of structural funds. As a result, the Presidency (Doc. 7387/06) as well as the European Parliament

[42] See European Parliament 2006b
[43] See European Commission 2006d
[44] See European Commission 2006b and European Commission 2006c
[45] See European Parliament 2006c

(Working Document 7) provided their own proposals for IIA texts. At the same time, those major issues were discussed in COREPER. Generally speaking, there was positive feedback by COREPER on the strategy of the Austrian Presidency and apart from some minor criticism (especially with regard to the delicate issue of certification, see below), the Presidency compromise text was broadly accepted.

However, Working Document 7[46] established some significant challenges for the Presidency, since the European Parliament, as they have announced previously, required all its additional points to become incorporated into the IIA text body. For this reason, a new part III on "the quality of the implementation of the Budget and corresponding reforms" should be created within the IIA, containing the new articles on the Financial Regulation, Certification by Member States, New Financial instruments, the Review clause and the other minor points of negotiations as proposed by the European Parliament. In contrast, according to the text proposal by the Presidency these regulations should be in form of declarations, which would be annexed to the IIA main text body. All delegations affirmed that there is no rationale for having the additional points integrated in the main text.

The third trialogue meeting on 21 March 2006 took place, just as the meetings before, in a very positive atmosphere and with the clear willingness from all sides to work in a constructive manner. On several of the remaining points significant progress could be achieved, especially with regard to financial management (i.e. the issue of certification), the review clause and also partly to the financial regulation. However, the issue of flexibility was hardly discussed. What is more, for the first time the Parliament provided concrete information on the increase of ceilings it was seeking to achieve. Its objective was to increase figures as agreed by the Council in December by 1.5%, which would mean an additional 12-13 billion euros. The Presidency, however, responded that such a figure was clearly unrealistic and that if it was possible at all for the Council to move on the overall figure this could certainly not exceed the increase agreed in 1999 in Berlin, when the last IIA was adopted, which was 0.21%. To what extent EC conclusions had to be increased during past negotiations in order to find an interinstitutional compromise can be inferred from Table 4. After all, due to the frank exchange of views, significant progress could be achieved.

Financial Perspectives
Difference between EC conclusions and IIA
Commitments Appropriations

1999 (EU21)		
in Mio EUR, 1999 prices	**Total 2000-2006**	**in % of EC conclusions**
European Council (EC) Conclusions	702.780	100,00%
+ increase compared to EC	1.480	0,21%
+ Flexibility instrument (Art24 IIA)	1.400	0,20%
+ Pensions to be added*	1.100	0,16%
Total increase	**3.980**	**0,57%**
IIA	706.760	100,57%
1992		
in Mio ECU, 1992 prices	**Total 1993-1999**	**in % of EC conclusions**
European Council (EC) Conclusions	529.885	100,00%
Increase compared to EC	**0**	**0,00%**
IIA	529.885	100,00%
1988		
in Mio ECU, 1988 prices	**Total 1988-1992**	**in % of EC conclusions**
European Council (EC) Conclusions	241.200	100,00%
Increase compared to EC	**3.638**	**1,51%**
IIA	244.838	101,51%

Table 4: Differences between European Council (EC) conclusions and final IIAs in the past

After the third trialogue, the Presidency and the European Commission continued preparing compromise texts that should incorporate the different proposals as laid down by the Council and Parliament and modified the initial Commission IIA proposal from 1 February 2006. Some of the remaining prominent issues were discussed in COREPER on 30 March 2006, in particular the use of the flexibility instrument, for which the Parliament suggested to introduce a facilitated mobilisation procedure: up to a certain amount (and only for non-compulsory expenditure), the decision on mobilising the instrument should be taken by the EP alone. This "lighter procedure" was clearly rejected by most member states.

Moreover, discontent was still shown with the text on financial management (i.e. increased responsibility of member states authorities for the administration of funds under shared management), though it has been significantly softened in the course of negotiations. This resembled the hard discussion one could also observe in connection with the Commission "Roadmap to an integrated control framework"[47]. In this context, most member states indicated unwillingness to accept any strengthening of their responsibility for control-

[46] See European Parliament 2006d
[47] See European Commission 2005b

ling funds that are spent under shared management. However, in the course negotiations on the next structural funds regulations, member states agreed to introduce new instruments to improve the reliability of control systems and accounts.

Overall, delegations once more showed satisfaction with the results of the hitherto negotiations and granted the Presidency again a sufficiently broad mandate for the negotiations. This also implied broad consensus on numbers, for which the strategy of the Austrian Presidency remained to achieve a total increase of not more than 0.21% (resembling the compromise of Berlin 1999) and, in the case of the flexibility instrument, to trade off money for procedural flexibility.

At the fourth trialogue, finally, a compromise could be achieved. Compared to the financial framework as agreed between member states in December 2005, the expenditure ceiling was increased by € 2 billion; another additional margin of € 2 billion could be created by moving the emergency aid reserve (€ 1.5 billion) and payments to the pension fund for Commission employees (€ 0.5 billion) out of the financial framework. By these measures, additional funding for the CFSP, TENs, life-long-learning, culture and several other policy areas could be realised (totalling € 4 billion). Additional financing instruments by the EIB were created for research and development (+€ 1 billion), TEN (+€ 0.5 billion) and SMEs (+€ 1 billion), amounting to € 2.5 billion overall. In the end, the flexibility instrument was retained in its existing form, i.e. € 200 million a year and without the introduction of simplified mobilisation procedures. However, a facilitated deviation by 5% from reference amounts of multiannual programmes was accepted by all parties, thus slightly enhancing budgetary flexibility. In the field of budget implementation, numbers on financial management and the financial regulation were added to the IIA. Moreover, as another tribute to EP demands, trilateral declarations on the review and democratic scrutiny as well as unilateral Commission declarations on the programme "Natura 2000" and voluntary modulation of agrarian funds were included.

On 17 May 2006, the Interinstitutional Agreement was officially signed by Chancellor Schüssel for the Council, President Borrell for the European Parliament and Commissioner Grybauskaité for the European Commission The final text was published in the Official Journal of the European Union on 14 June 2006[48]. Table 5 gives a final overview of the different proposals and positions for the financial framework 2007-2013 including the final agreement. Table 6 shows the final table per year and heading as laid down in the IIA.

---

[48] Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (OJ C 139/1, 14/06/2006)

Financial Perspectives: Comparison of Proposals/Positions

in billion EUR, 2004 prices

	COM proposal	European Parlament	LUX-proposal 17 June 2005	European Council 17 Dec. 2005	Final IIA Agreement 4 April 2006
1a Competitiveness	**121,7**	**117,0**	**72,0**	**72,0**	**74,1**
1b Structural and Cohesion Policy	**336,3**	**328,6**	**309,6**	**307,6**	**308,0**
2 Natural resources	**400,3**	**391,9**	**377,8**	**371,2**	**371,3**
thereof: CAP (market aid and direct payments)	301,1	293,1	295,1	293,1	293,1
3 Internal Policies	**20,9**	**15,7**	**11,0**	**10,3**	**10,8**
3a Freedom Justice, and Security	8,3	n.a.	6,6	6,6	6,6
3b Citizenship	4,3	n.a.	4,4	3,6	4,1
European Solidarity Fund (EUSF)	6,2	excl. EUSF	excl. EUSF	excl. EUSF	
4 The EU as a Global Partner (exkl. EDF)	**84,7**	**63,2**	**50,0**	**50,0**	**49,5** *
thereof: European Development Fund	22,0	excl. EDF	excl. EDF	excl. EDF	excl. EDF
5 Administration	**57,7**	**57,7**	**50,3**	**50,3**	**49,8** **
6 Compensations	**0,8**	**0,8**	**0,8**	**0,8**	**0,8**
Total commitment appropriations	**1022**	**975**	**872**	**862**	**864**
in % of EU-GNI	**1,24%**	**1,18%**	**1,06%**	**1,046%**	**1,048%**
Total payment appropriations	***934***	***883***	***828***	***819***	***821***
in % of EU-GNI	***1,13%***	***1,07%***	***1,00%***	***0,99%***	***1,00%***

* According to the trialoge, the Emergency Aid Reserve is to be financed outside the framework of the Financial Perspective 2007-2013.

** 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 500 million at 2004 prices for the period 2007-2013.

Table 5: Comparison of proposal and positions for the Financial Perspectives 2007-2013 including the final agreement

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.

Table 6: Financial Framework 2007-2013 according to Annex 1 of the IIA 2006 (OJ C139/1 14/06/2006)

3.7. What is left for the Finnish Presidency

As the negotiations on the financial framework and the Interinstitutional Agreement could be formally finished before the end of the Austrian Presidency, the Commission already based its Preliminary Draft Budget for the year 2007 on the IIA for the years 2007-2013 and presented it in due time. Therefore, the normal timeframe for the annual budgetary procedure can be met. The Finnish Presidency would thus be responsible for presiding regular first and the second readings of the Draft Budget 2007.

Apart from the budget itself, the legislative acts for the all EU programmes and instruments need to be finalised. As financial amounts and other financial provisions could not be discussed in the absence of a financial framework, it is now on the Finnish Presidency to ensure that negotiations of the about 40 legislative proposals are finished before the start of the budgetary year 2007 to enable their smooth entry into force right at the beginning of 2007.

4. Summary

The Council of the European Union and the European Parliament are the two arms of the budgetary authority of the European Union. For this reason, these two institutions, together with the European Commission, that is mainly responsible for the implementation of the European Budget, decided to conclude Interinstitutional Agreements (IIA), including mid-term financial frameworks, in order to facilitate the annual budgetary procedure. Unlike it was the case in several budgetary years in the 1980s, since the introduction of this system in 1988 by the first Delors Commission, all annual budgets have been adopted on time.

The last financial frameworks and Interinstitutional Agreements have been adopted for periods of validity of seven years. In the case of the financial framework 2007-2013, however, for the first time an enlarged Union with 25 member states needed to agree on a budgetary framework. Against the background of stagnating economic growth in Western Europe, high unemployment in the whole EU area, with the Lisbon goals on paper and a huge gap in prosperity between „old“ and „new“ members, an agreement on the financial framework 2007-2013 required an unanimous decision of all member countries.

Besides the heterogeneous expectations and desires concerning the expenditure side, the situation on the financing or resource side of the budget was no less complicated. In addition to the most prominent issue in this context, the UK budgetary correction mechanism or better known as „UK-rebate“, the so-called net payers to the EU budget claimed a reduction of their financial burden. A fair distribution of the budgetary burden, in accordance with member states' relative prosperity, as mentioned in the conclusions of the 1984 Fontainebleau European Council, was at the centre of discussions.

In order to provide the European Union with the necessary financial and legal basis for annual budgets as well as for the implementation of multi-annual programmes from the year 2007 on, several stages of preparations and negotiations needed to be accomplished between 2004 and 2006.

First and foremost, the European Commission made proposals on the new Financial Perspectives in February 2004. These so-called ceilings need to be fixed per year and policy area, i.e. heading. At this stage, the Commission proposed a 7-years-budget of € 1.022 billion or 1.26% of EU-GNI respectively. In the following months, the Commission also published proposals on the major EU programmes for the next period.

As a next step, member states needed to agree on the overall maximum size of the budget for the new financial period.[49] The starting point for the negotiations in the Council, which took almost two years, was set during the Irish Presidency in spring 2004, after the Commission proposal had been published. Negotiations were slow and hard during the following Dutch and Luxemburg presidencies, though at the end of the Luxemburg Presidency it almost seemed that a deal was within reach with a 7-years budget of € 872 billion.

In the meantime, on 8 June 2005, the European Parliament adopted its own proposal for a Financial Perspective 2007-2013, amounting to € 975 billion. However, inter-institutional negotiations with the Parliament could only begin after Council's political agreement. This could eventually be achieved on the highest political level, by Heads of State and Government, at the European Council in December 2005. They agreed on a budget of € 862 billion for the years 2007-2013.

Finally, the Financial Perspectives table needed to be incorporated in the Interinstitutional Agreement between the Commission, the Parliament and Council. Compared with the negotiations on the Financial Perspective, a compromise on the IIA could be found in a rather short period of time: After four political trialogues between January and April 2006, a political agreement on a common text was reached on 4th April 2006. At that point, the financial framework for the next 7 years was finally fixed at € 864 billion.

Now, for each EU programme or instrument to be implemented, about 40 legislative proposals need to be agreed on, whereby in most cases the co-decision procedure applies. In the absence of a financial framework, financial amounts and other financial provisions could not be discussed for the most time of negotiations. It is on the Finnish Presidency to reach a compromise on all relevant legislative acts as soon as possible to allow their entry into force at the beginning of the year 2007.

Summarising, for all the heterogeneous expectations and desires concerning the expenditure side as well as the resource side of the budget, it was neither clear nor obvious whether an agreement would be reached on time or at all. And although the financial framework for the next seven years has been fixed, many of the above mentioned issues remain either unsolved or inadequately considered. For this reason, a review of the whole EU budget, expenditure and resources, is foreseen during the upcoming financial

[49] European Commission (2004a)

period, starting with a report, which is to be presented by the European Commission in 2009 at the latest.[50] Therefore, the EU budget will remain a „hot topic“ in near future.

[50] Declaration No. 3 (OJ 139/15, 14/06/06), which has been attached to the IIA, says that
“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.“

Abbreviations

CAP	Common Agricultural Policy
COM	European Commission
COREPER	Committee of Permanent Representatives
EC	European Council
EP	European Parlament
FP	Financial Perspective
GAERC	General Affairs and External Relations Council
GCM	Generalized correction mechanism
IIA	Inter-Institutional Agreement
MS	Member State
NB	Negotiating Box
PDB	Preliminary Draft Budget
PPS	Purchasing Power Standard
R&D	Research and Development
VAT	Value added tax

BE	Belgium
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
EL	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	The Netherlands
AT	Austria
PL	Poland
PT	Portugal
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom

BG	Bulgaria
RO	Romania

References

Council of the European Union (2004a), Report from the Presidency to the European Council, „Financial Framework for 2007-2013: Analytical Report", 10219/04 CADREFIN 11, Brussels, 7 June 2004.

Council of the European Union (2004b), „I" Item note from the Presidency to the European Council, „Financial Perspectives – organisation of work/ setting up of and remit for an ad hoc Group July-December 2004", 11441/1/04 Rev1 CADREFIN 12, Brussels, 14 July 2004.

Council of the European Union (2004c), Progress Report from the Presidency to the European Council, „Financial Perspectives", 16105/04 CADREFIN 163, Brussels, 14 December 2004.

Council of the European Union (2005a), „Financial Perspective – Organization of work", 5045/05 CADREFIN 1, Brussels, 5 January 2005.

Council of the European Union (2005b), „Financial Perspective 2007-2013", 6826/05 CADREFIN 35, Brussels, 28 February 2005.

Council of the European Union (2005c), Progress Report from the Presidency to COREPER, „Financial Perspectives 2007-2013", 6825/1/05 Rev1 CADREFIN 35, Brussels, 4 March 2005.

Council of the European Union (2005d), Note from the Presidency to COREPER, „Financial Perspectives 2007-2013", 7054/05 CADREFIN 43, Brussels, 8 March 2005.

Council of the European Union (2005e), Note from the Presidency to Council, „Financial Perspectives 2007-2013", 8292/05 CADREFIN 84, Brussels, 21 April 2005.

Council of the European Union (2005f), Note from the Presidency to Council, „Financial Perspectives 2007-2013", 9065/05 CADREFIN 108, Brussels, 19 May 2005.

Council of the European Union (2005g), Note from the Presidency to Council, „Financial Perspectives 2007-2013", 9637/05 CADREFIN 115, Brussels, 2 June 2005.

Council of the European Union (2005h), Note from the Presidency to European Council, „Financial Perspectives 2007-2013", 10090/05 CADREFIN 130, Brussels, 15 June 2005.

Council of the European Union (2005i), Addendum to the note from the Presidency to Council, „Financial Perspectives 2007-2013", 10090/05 Add1 CADREFIN 130, Brussels, 17 June 2005.

Council of the European Union (2005j), Note from the Presidency to Delegations, „Financial Perspectives 2007-2013", 15393/05 CADREFIN 256, Brussels, 5 December 2005.

Council of the European Union (2005k), Note from the Presidency to European Council, „Financial Perspectives 2007-2013", 15649/05 CADREFIN 264, Brussels, 14 December 2005.

Council of the European Union (2005l), Note from the Presidency to European Council, „Financial Perspectives 2007-2013", 15915/05 CADREFIN 268, Brussels, 19 December 2005.

European Commission (1998), „Financing the European Union" Commission report on the operation of the own resources system, Brussels, 7 October 1998.

European Commission (2004a), „Building our Common Future. Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013", Communication from the Commission to the Council and the European Parliament, Commission of the European Communities, COM (2004) 101 final, Brussels, 10 February.

European Commission (2004b), „Financial Perspectives 2007-2013", Communication from the Commission to the Council and the European Parliament, Commission of the European Communities, COM (2004) 487 final, Brussels, 14 July.

European Commission (2004c), „Financing the European Union" Commission report on the operation of the own resources system, COM (2004) 505 final, Brussels, 14 July.

European Commission (2004d), „Financing the European Union" Commission report on the operation of the own resources system, TECHNICAL ANNEX COM (2004) 505 final, Brussels, 14 July.

European Commission (2005a), „Allocation of 2004 EU expenditure by Member State", Brussels, September 2005.

European Commission (2005b), "Communication to the Council, the European Parliament and the European Court of Auditors on a roadmap to an integrated internal control framework". COM (2005)252.

European Commission (2006a), Revised proposal for the renewal of the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure. Commission Working Document. COM(2006)36, 1 February 2006

European Commission (2006b), "Indicative breakdown of expenditure within individual headings and sub-headings, based on the European Council conclusions of December 2005", Working Document of the Commission Services, Fiche No. 94, 14 February 2006

European Commission (2006c), "Impact of the financial framework foreseen by the European Council for 2007-2013", Working Document of the Commission Services, Fiche No. 95, 14 February 2006

European Commission (2006d), "Contribution to interinstitutional negotiations on the Proposal for renewal of the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure". Commission Working Document. COM(2006)75 final, 15 February 2006

European Commission (2006e), „Allocation of 2005 EU expenditure by Member State", Brussels, September 2006.

European Parliament (2005), "Report on Policy Challenges and Budgetary Means of the Enlarged Union", A6_0153/2005, 19 May 2005.

European Parliament (2006a), Working Document No. 3 on Financial Perspective 2007-2013: "EP key points for the negotiations with the Council based on the European Parliament's negotiating position of 8 June 2005". Committee on budgets, Brussels, 26 January 2006

European Parliament (2006b), Working Document No. 4 on "First reaction to the revised version of the Interinstitutional Agreement proposed by the Commission on 1 February 2006". Committee on budgets, Brussels, 02 February 2006

European Parliament (2006c), Working Document No. 5 on the Interinstitutional Agreement on Sound Financial Management, Part III Reforms – Rapporteur's comment on the Commission Working Document COM(2006)75. Committee on budgets, Brussels, 27 February 2006

European Parliament (2006d), Working Document No. 7 on the Interinstitutional Agreement on Sound Financial Management. Committee on budgets, Brussels, 17 March 2006

European Parliament (2006e), Working Document No. 8 on the Interinstitutional Agreement on Budgetary Discipline and Sound Financial Management: Outcome of the negotiations. Committee on budgets, Brussels, 24 April 2006

EU Legislation

Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure (OJ C 172, 18/06/1999).

Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (OJ C 139/1, 14/06/2006)

Own Resources Decision of 29 September 2000 (2000/597/EC, Euratom - OJ L 253, 07/10/2000)

Council Regulation No. 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L248, 25/06/2002)

Decision of the Representatives of the Governments of Member States, Meeting within the Council of 18 November 2002 concerning the conclusions of the European Council meeting in Brussels on 24 and 25 October 2002 (OJ L323/48, 18/11/2002)

Annex

A) Calculation method of the UK correction

The UK correction mechanism was introduced at the European Council in Fontainebleau in 1984. The basic principle of this correction is to reimburse the UK 66% of the whole net contribution. In the following, the calculation method of the rebate is explained in detail both verbally and graphically using figures of the preliminary draft budget 2005 in order to calculate the 2004 correction.

Basically, the UK rebate is calculated in three steps:

1) The UK's percentage share in allocated expenditure (7.23%), i.e. what the UK receives from the EU budget, is subtracted from the UK's percentage share in payments to the EU budget (18.11%).

2) This difference (-10.88%) is multiplied by the total amount of allocated expenditure (82,872 m€) to obtain a measure of the UK's net contribution to the EU budget (9,024 m€).

3) The result is multiplied by 0.66 (5,956 m€), i.e. the UK is reimbursed 66% of the whole net contribution.

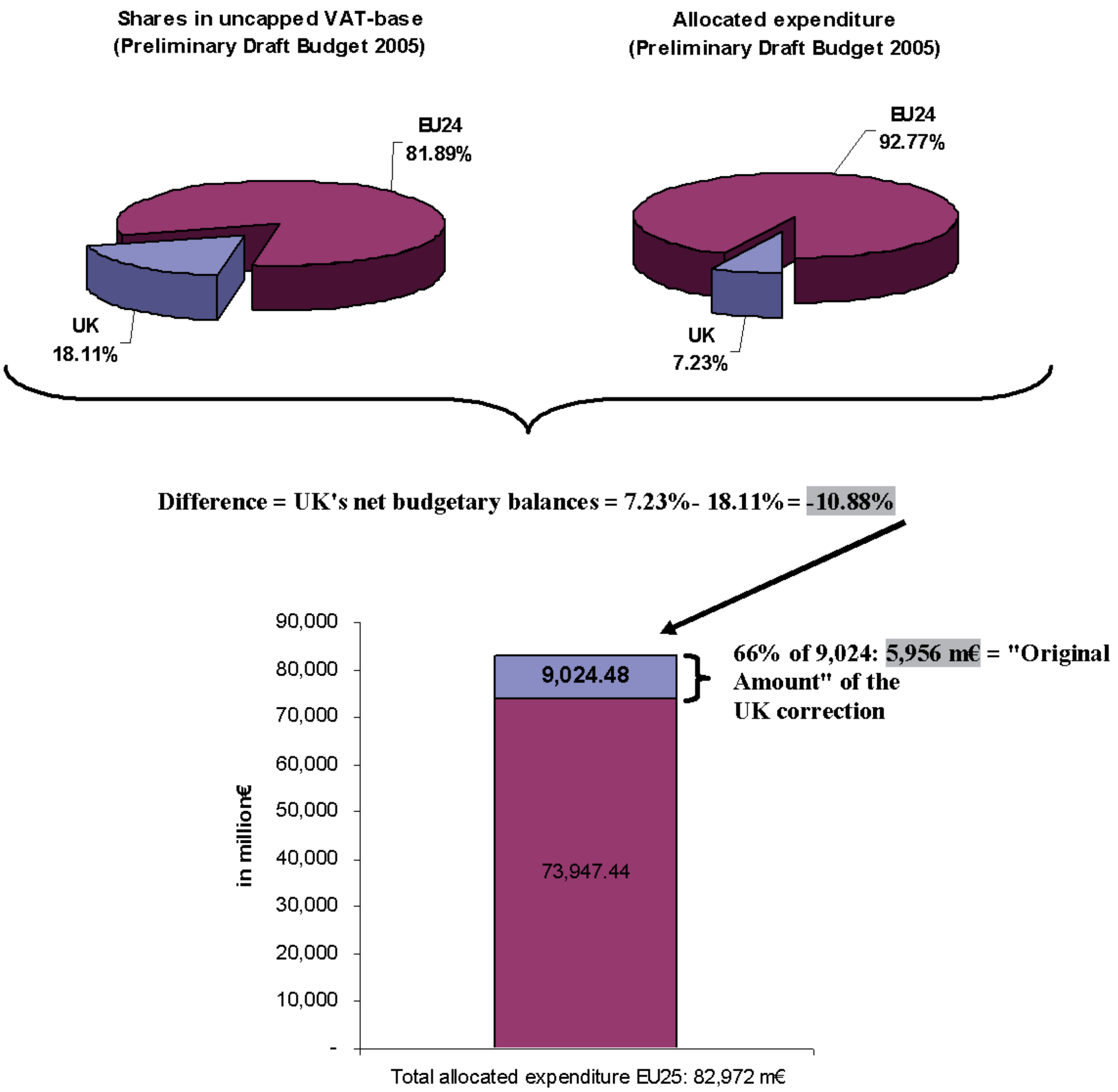

Figure 2: Calculation of the „original amount" of the UK correction

However, since the introduction of the UK rebate, the own resources system underwent several modifications, each of which altering the volume of the correction. Therefore, the „original amount" of the UK correction has to be adjusted by deducting two other positions:

The following positions are subtracted from the original amount:

- UK Advantage: Advantage of the UK resulting from the introduction of the GNI/GDP resource and the capping of the VAT resource.
- Windfall gains accruing from an increase of the traditional own resources collection costs from 10% to 25%

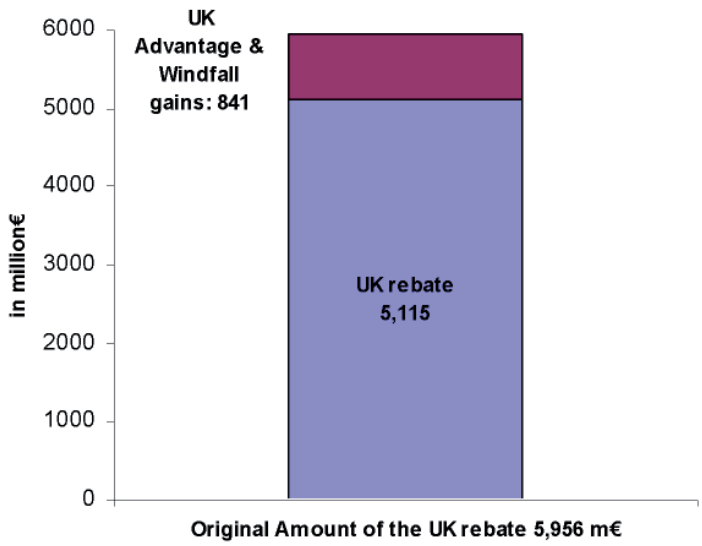

Figure 3: Final amount of the UK correction

The financing of the UK rebate

The financing of the correction for a given year ‚t' is made up by all the Member States in accordance with their respective percentage shares in GNI payments in the year t+1, with the following exceptions:

- – the UK does not participate in the financing of its own rebate;
- – the share of DE, NL, AT and SE is restricted to 25% of the shares resulting from the calculation above.

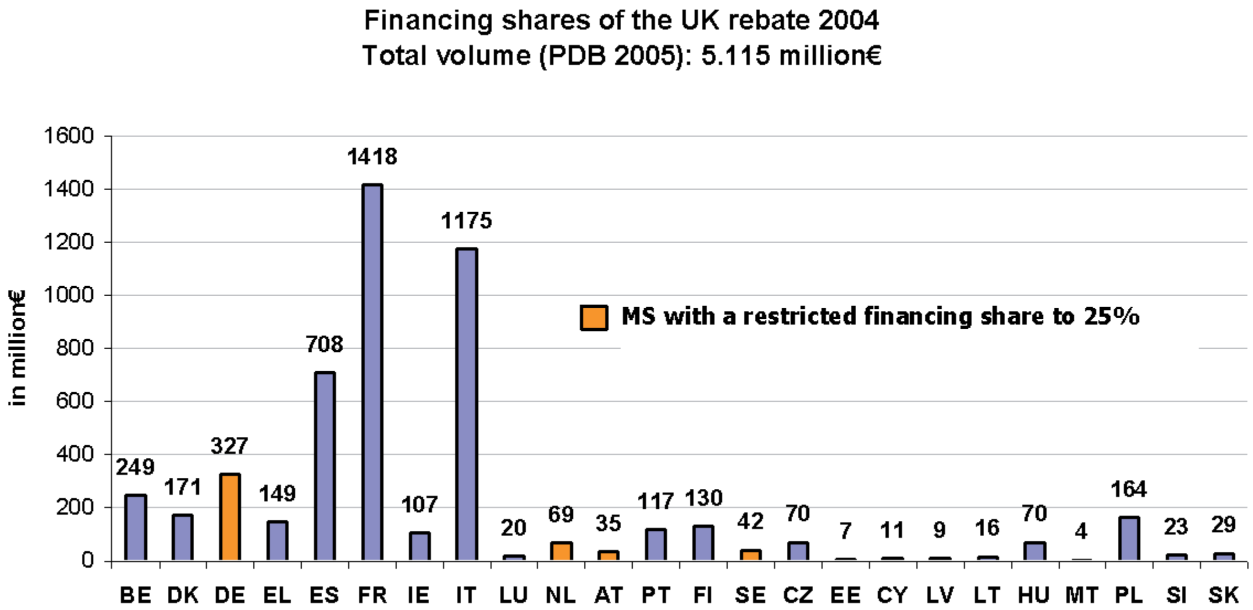

Figure 4: Financing shares of the UK rebate 2004 (Source: PDB 2005).

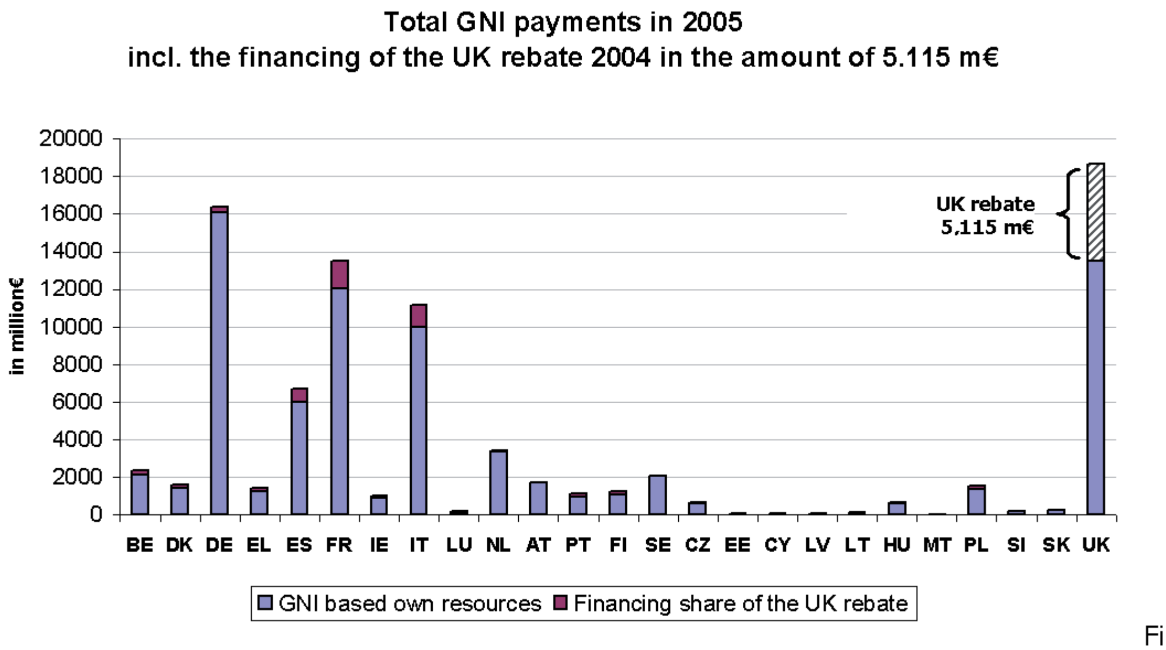

Figure 5: Total GNI based own resources payments in 2005 (Source: PDB 2005)

B) Calculation method of a generalized correction mechanism (GCM)

Basic principle:
Prevention of excessive negative budgetary balances

Eligibility criteria for a correction:
Member States with a net budgetary balance exceeding a certain threshold, measured in % of GNI

Parameter	COM proposal
1) Threshold **= eligibility criteria**	**- 0.35 % of GNI**
2) Refund rate **= %age of excessive net balance to be corrected**	**66 %** **(same as for UK rebate)**
3) Financing rules **= which Member States should finance the correction**	**ALL Member States**
4) Maximum available refund volume **= cap of the possible total volume of correction**	**7.5 billion EUR**

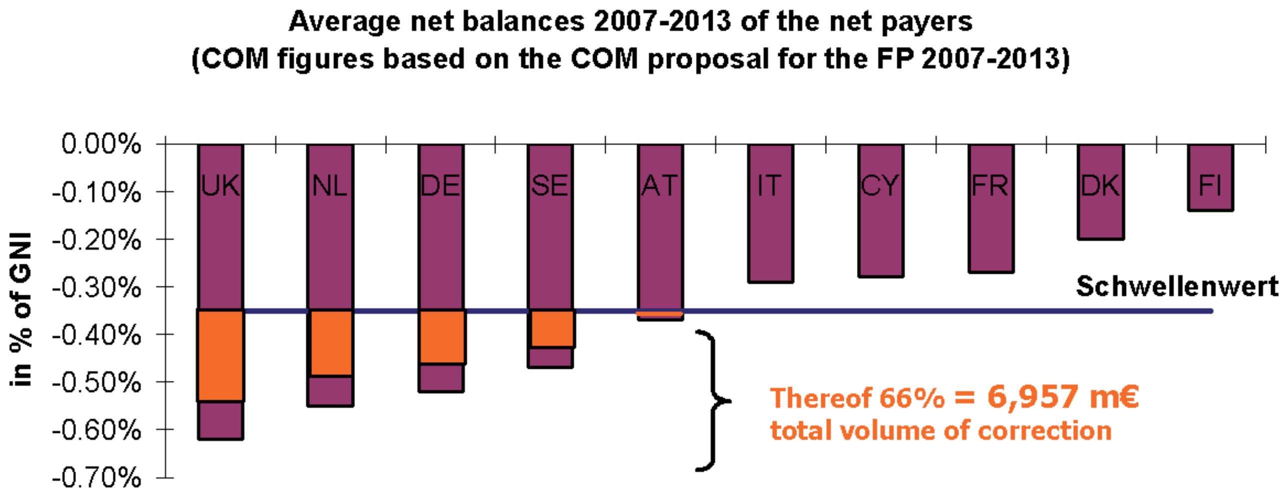

Figure 6: Illustration of a generalized correction mechanism

The mechanism should be triggered beyond a threshold. Net positions exceeding such a threshold would be eligible for a correction. The amount of the correction would be based on the part of the net balance exceeding this threshold, multiplied by a refund rate Concerning the financing of the total volume of correction, there are several options:

- **COM proposal: All** Member States participate in the financing according to their share in GNI.
- Member States eligible for correction do not particpate in the financing.
- All Member States participate in the financing of all corrections except their own

The following figure illustrates the financing burden accruing depending on the financing rules applied:

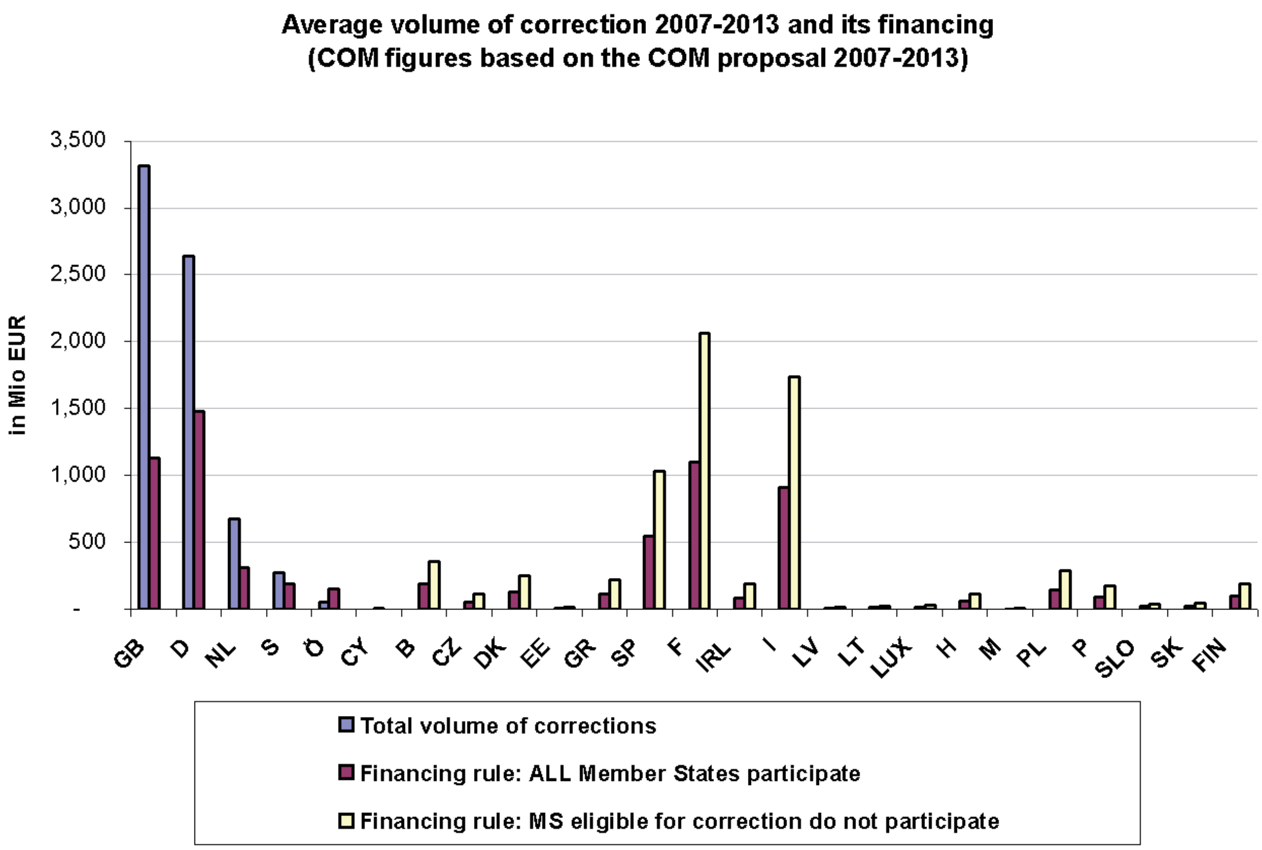

Figure 7: Average volume of corrections depending on the financing rule applied. Source: European Commission (2004d)

The Financial Perspectives Table as agreed at the European Council in December 2005

OVERVIEW OF THE NEW FINANCIAL PERSPECTIVE 2007-2013

All figures are shown in 2004 prices, EUR Billion

Commitments Appropriations	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	**51,090**	**52,148**	**53,330**	**54,001**	**54,945**	**56,384**	**57,841**	**379,739**
1a Competitiveness for Growth and Employment	8,250	8,860	9,510	10,200	10,950	11,750	12,600	72,120
1b Cohesion for Growth and Employment	42,840	43,288	43,820	43,801	43,995	44,634	45,241	307,619
2. Preservation and Management of Natural Resources	**54,972**	**54,308**	**53,652**	**53,021**	**52,386**	**51,761**	**51,145**	**371,244**
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	**1,120**	**1,210**	**1,310**	**1,430**	**1,570**	**1,720**	**1,910**	**10,270**
3a Freedom, Security and Justice	0,600	0,690	0,790	0,910	1,050	1,200	1,390	6,630
3b Citizenship	0,520	0,520	0,520	0,520	0,520	0,520	0,520	3,640
4. EU as a global player	**6,280**	**6,550**	**6,830**	**7,120**	**7,420**	**7,740**	**8,070**	**50,010**
5. Administration	**6,720**	**6,900**	**7,050**	**7,180**	**7,320**	**7,450**	**7,680**	**50,300**
6. Compensations	**0,419**	**0,191**	**0,190**					**0,800**
Total appropriations for commitments	**120,601**	**121,307**	**122,362**	**122,752**	**123,641**	**125,055**	**126,646**	**862,363**
as a percentage of GNI	1,10%	1,08%	1,06%	1,04%	1,03%	1,02%	1,00%	1,045%

Total appropriations for payments	**116.650**	**119.535**	**111.830**	**118.080**	**115.595**	**119.070**	**118.620**	**819.380**
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%

Source: Council of the European Union (2005l)

The Authors

Veronika Meszarits worked for the EU Budget Unit of the Austrian Ministry of Finance throughout the negotiations on the Financial Perspectives 2007-2013. There, she was particularly responsible for simulations and calculations concerning the future EU budgetary framework.

Florian Wukovitsch worked for the EU Budget Unit of the Austrian Ministry of Finance during the Austrian EU Presidency 2006. He was part of the team that facilitated the negotiations on the Interinstitutional Agreement on Budgetary Discipline and Sound Financial Management 2007-2013 between the European Parliament, the European Commission and the Council.

In der Reihe Working Papers erschienen:

Franz Rabitsch, (2006). Die IWF Quotendiskussion – Ein Überblick. Working Paper 8/2006.

Manuel Schuster, (2006). Lateinamerika: ein Exportmarkt für die EU? Ein Vergleich mit den USA. Working Paper 7/2006.

Wolfgang Nitsche, (2006). Die Zusammenarbeit der Europäischen Gemeinschaft mit Drittstaaten: Rahmenbedingungen, Abläufe und Reformvorschläge. Working Paper 6/2006.

Peter Part, (2006). AUSTRIA: Pension Projects 2004 – 2050, Austrian Contribution to the EU Ageing Report by the Economic Policy Committee and the European Commission. Working Paper 5/2006.

Harald Stieber, (2006). Exogenous determinants of Austrian economic growth. Working Paper 4/2006.

Kurt Bayer, (2006). Europa and Asia in the Macroeconomics of Globalisation. Working Paper 3/2006.

Arnd Einhaus, Edith Kitzmantel, Anton Rainer, (2006). Ist die Einkommensbesteuerung geschlechtsneutral? Working Paper 2/2006.

Kurt Bayer, (2006). Growth and Employment through Innovation. Working Paper 1/2006.

Ulrike Mandl, (2005). Stand und Entwicklung ausgewählter Bereiche der wissensbasierten Wirtschaft in Österreich. Working Paper 5/2005.

Nikolaus Fink, Alfred Katterl, Manuel Schuster (2005). Wirtschaftspolitik und Dynamik der Wirtschaftssektoren in Österreich 1995 – 2003. Working Paper 4/2005.

Ulrike Mandl, Karin Schönpflug (2005). Steigerung es Wirtschaftswachstums durch F&E und Humankapital. Working Paper 3/2005.

Peter Part, Karin Schönpflug (2005). Wirtschaftswachstum und Arbeitsmarktreformen. Working Paper 2/2005.

Brandner Peter, Frisch Helmut, Grossmann Bernhard, Hauth Eva (2005). Eine Schuldenbremse für Österreich. Working Paper 1/2005.

Ertl Birgit (2004). Der Kampf gegen Geldwäscherei und Terrorismusfinanzierung. Working Paper 4/2004.

Vitzthum Elisabeth (2004). Reformvorschläge für eine verstärkte Zusammenarbeit zwischen Welthandelsorganisation und Internationalen Finanzinstitutionen. Working Paper 3/2004.

Burgstaller Markus, Stieber Harald (2004). Ausgabenquoten im internationalen Vergleich: Behindern hohe Quoten die Wettbewerbsfähigkeit eines Staates? Working Paper 2/2004.

Vondra Klaus, Weiser Harald (2004). Basel II: Was wirklich hinter der Asset Return Correlation und ihren Auswirkungen auf die Prozyklizität steckt. Working Paper 1/2004.

Katterl Alfred, Part Peter, Stieber Harald (2003). Die neuen Haushaltsregeln der EU für die Überprüfung der Stabilitätsziele. Working Paper 5/2003.

Mandl Ulrike (2003). European policy making. Die offene Methode der Koordinierung als Alternative zur Gemeinschaftsmethode? Working Paper 4/2003.

Corrales-Díez Natalia (2003). Die EU Außenvertretung im Internationalen Währungsfonds (Deutsch/ Englisch). Working Paper 3/2003.

Bayer Kurt (2003). Entwicklungspolitik im 21. Jahrhundert – Die Rolle der Weltbank. Working Paper 2/2003.

Part Peter (2003). Real exchange rate developments in the accession countries. Working Paper 1/2003.

Part Peter (2002). Finanzielle Auswirkungen der Bevölkerungsalterung. Working Paper 8/2002.

Bauer Bernhard (2002). Kleine und mittlere Unternehmen: Übersicht über Bedeutung, bereits getroffene und mögliche weitere Maßnahmen auf EU-Ebene und in Österreich (Materialiensammlung). Working Paper 7/2002.

Tzanoukakis Kira (2002). Die Verfahren zur Sicherung der Konvergenz in der Europäischen Union. Working Paper 6/2002.

Rabitsch Franz (2002). Die österreichischen Wachstumsprognosen 1978 bis 1999. Working Paper 5/2002.

Karlinger Liliane (2002). An Equilibrium Analysis of International Fiscal Transfers as Insurance against Asymmetric Shocks. Working Paper 4/2002.

Morawek Roman (2002). Reale Konvergenz im Euroraum mit besonderer Berücksichtigung der EU-Osterweiterung. Working Paper 3/2002.

Hauner David (2002). The Euro, the Dollar, and the International Monetary System.
Working Paper 2/2002.

Traxler Christian (2002). Verteilungspolitische Aspekte von Kapitalsteuerwettbewerb. Working Paper 1/2002.

Kutos Paul (2001). Euro exchange rate policy: Institutions and procedures. Working Paper 8/2001.

Part Peter, Stefanits Hans (2001). Austria: Public Pension Projections 2000 - 2050.
Working Paper 7/2001.

Katterl Alfred (2001). Renditen der Universitätsausbildung. Working Paper 6/2001.

Burger Christina (2001). Strukturindikatoren.
Working Paper 5/2001.

Moser Erhard (2001). Das Europäische Wirtschafts- und Sozialmodell. Stand der Umsetzung ein Jahr nach Lissabon. Working Paper 4/2001.

Nitsche Wolfgang (2001). EU-Erweiterung: Budgetäre Auswirkungen wirtschaftlicher Anpassungsszenarien.
Working Paper 3/2001.

Nitsche Wolfgang (2001). Österreich im neuen Europa. Überblick über die Argumente zur EU-Erweiterung.
Working Paper 2/2001.

Part Sigrid (2001). Der Vertrag von Nizza: Ein Wegweiser für die Europäische Integration.
Working Paper 1/2001.

Part Peter (2000). Entwicklung der Definition für das mittelfristige Budgetziel in den Stabilitäts- und Konvergenzprogrammen. Working Paper 8/2000.

Pregesbauer Andreas (2000). Österreichischer Finanz- und Kapitalmarkt in der WWU.
Working Paper 7/2000.

Wieser Robert (2000). Österreichische Strukturpolitik in der WWU. Working Paper 6/2000.

Part Peter (2000). Österreichische Budgetpolitik in der WWU. Working Paper 5/2000.

Bayer Kurt, Katterl Alfred, Kutos Paul, Part Peter, Pregesbauer Andreas, Wieser Robert (2000). Aktuelle Herausforderungen für die österreichische Wirtschaftspolitik in der WWU.
Working Paper 4/2000.

Rainer Anton (2000). Indexprobleme der realen Volkswirtschaftlichen Gesamtrechnung und Verzerrungen bei Prognosen und Analysen. Working Paper 3/2000.
vergriffen

Wieser Robert (2000). Regulatoren in Netzwerkindustrien. Eine polit-ökonomische Synthese.
Working Paper 2/2000. vergriffen

Katterl Alfred, Part Peter (2000). Koordination der Wirtschaftspolitik in der EU. Working Paper 1/2000.
vergriffen

Felbermayr Gabriel J. (1999). The Political Economy of Financial Crises. Working Paper 6/1999.

Saghy Hannes M., Fürstaller Katharina, Fuchs Franz (1999). Die neue Bedeutung der Einkommenspolitik als nationales Politikfeld im Rahmen der Europäischen Wirtschafts- und Währungsunion.
Working Paper 5/1999.

Pregesbauer Andreas (1999). Transmissionsmechanismen der Geldpolitik. Working Paper 4/1999.

Nitsche Wolfgang (1999). Kosovo-Krise und Wiederaufbau. Working Paper 3/1999.

Herbeck Gabriele (1999). Kostennutzenanalyse in der EU. Working Paper 2/1999. vergriffen

Bayer Kurt (1999). Der OECD-Wirtschaftsbericht über Österreich 1999. Working Paper 1/1999.

Part Peter (1998). Öffentliche Finanzen in der Europäischen Union. Working Paper 3/1998.

Schuh Andreas-Ulrich (1998). Beschäftigung und Arbeitslosigkeit aus österreichischer und europäischer Sicht. Working Paper 2/1998.

Bayer Kurt, Katterl Alfred, Wieser Thomas (1998).
Economic policy in EMU. National Necessities and Coordination Requirements. Working Paper 1/1998.
vergriffen

Imprint:
Published, owned and edited by Federal Ministry of Finance
HR Development and Internal Communications
Himmelpfortgasse 8, A-1015 Vienna
Designed and printed by "Printing Office of the Federal Ministry of Finance"
Vienna, December 2006
www.bmf.gv.at