THE BUDGET

• The EU budget covers a seven-year period and cannot be in deficit.
• The budget is determined by an agreement between all member states.
• The EU budget is financed by own resources and other revenue.
  • Own resources can be defined as revenue accruing automatically to the EU in order to finance its budget without the need for any subsequent decision by national authorities. They comprise:
    • customs duties, agricultural duties, sugar levies, the VAT-based resource and the GNI-based resource. Own resources finance the bulk of the EU budget.
  • Own resources cannot exceed 1.24 % GNI of the EU.
• But, there is also a small share of other revenue (e.g. tax and other deductions from staff remunerations, bank interest, contributions from non-member countries to certain Community programs etc.).
HOW THE BUDGET IS DETERMINED

• The procedure for adopting the budget requires co-decision among the Commission, the Council, and the Parliament.

• Each year the Commission prepares a preliminary draft budget and submits it to the Council in April or early May.

• The budgetary authority composed of the Council and Parliament amends and adopts the draft budget.

• The Council must adopt it by QMV in July and sends it to the Parliament for first reading. Approval requires absolute majority (n=393).

• The final say regarding the original draft lies with the Council thought the Parliament can reject the budget. If this happens a temporary budget spending procedures enters into effect until a compromise is reached on the budget.

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THE 2007–2013 FRAMEWORK BUDGET

- Preservation and Management of Natural Resources: 35.7%
- The EU as a global partner: 0.1%
- Competitiveness for growth and employment: 1.2%
- Citizenship, freedom, security and justice: 8.4%
- Cohesion for growth and employment: 5.8%
- Administrative: 43.1%
THE 2012 BUDGET

- Competitiveness for growth and employment: 43%
- Cohesion for growth and employment: 6%
- PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES: 9%
- Freedom, security and justice: 5%
- Citizenship: 1%
- THE EU AS A GLOBAL PARTNER: 35%
- ADMINISTRATION: 1%
WHAT ARE STRUCTURAL FUNDS AND POLICIES?

• Comprises several policies of the EU
  • Part of the CAP dealing with rural development.
  • Regional policy.
  • Some aspects of social policy
Five Groups of Funds

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Cohesion Fund (CF)
- European Agricultural Fund for Rural Development (EAFRD)
- European Maritime and Fisheries Fund (EMFF)
FROM WHENCE REGIONAL AND STRUCTURAL POLICY?

• British, Danish and Irish accession in 1973 accelerated the need for funds that offset the focus on agriculture.

• European Regional Development Fund was created to target regions within member states and accelerate development to the Community average.

• Britain argued strongly for the policy as it contained declining industrial regions more than depressed agriculture.

• Italy and Ireland threatened to boycott 1974 Paris European Council meetings if no movement on ERDF.
REGIONAL AND STRUCTURAL POLICY?

- Regional development policy
  - Sub-national allocations
  - 50% mutual load
  - Not meant to *replace* national government effort.
    - instead supplement
- Conceptually based on economic targets.
  - in practice, intergovernmental bargaining
REGIONAL AND STRUCTURAL POLICY?

• Emergence of Cohesion
  • Deal with structural dislocations from single market
  • Catch up regions
• Policy 2 meanings
  • Catch up depressed regions
  • Engage regional political actors in decision-making of Supranational Institutions.
REGIONAL AND STRUCTURAL POLICY—REFORMS

Several waves of reforms driven by accession and deepening

- **1988**- Single European Act, completing the single market.
  - Multi-year budgeting, economic criteria for funds
  - Doubled allocations, reduced CAP
- **1993**- Responding to the TEU (Maastricht Treaty)
  - Creation of Cohesion Funds
- **1999**- Responding to impending accessions of CEECs
  - New Regulations for Structural and Cohesion Funds
  - Strict enforcement of economic criteria
- **2006**- Lisbon Agenda and responding to enlargement
  - Convergence, Cooperation, Regional Competitiveness
STRUCTURAL FUNDS ARE CONNECTED TO BRITAIN’S ACCESSION

• The UK demanded reforms in 1972 in order to increase chance of passing accession referendum.
  • Agriculture payments out, structural payments in.
• Ireland, Italy also insisted on funds.
• Decisions were intergovernmental however, not always based on economic need.
THE UK REBATE BRITAIN ON THE OUTS:

• A specific mechanism for correcting the budgetary imbalance of the United Kingdom (the UK rebate) is also part of the own resources system.

• It was proposed in 1975 to correct the imbalance between the United Kingdom's share in payments to the Community budget and its share in Community expenditure allocated to the Member States. In response to British referendum on membership.

• This mechanism has been modified on several occasions to compensate for changes in the system of EU budget financing, but the basic principles remain the same.

• Reduced 20% starting in 2007- funds to cohesion and regional funds
UK REBATE

• This imbalance is calculated as the difference between the percentage share of the UK in EU expenditure paid in the Member States ("allocated expenditure") and the UK share in total VAT-based and GNI-based own resources payments.

• The difference in percentage points is multiplied by the total amount of EU expenditure allocated to the Member States.

• The UK is reimbursed by 66 % of this budgetary imbalance.

• The cost of the correction is borne by the other 24 Member States.
  • The distribution of the financing is first calculated on the basis of each country's share in total EU GNI.
  • The financing share of Germany, the Netherlands, Austria and Sweden is, however, restricted to one fourth of its normal value.
  • This cost is redistributed across the remaining 20 Member States.

• The UK correction in the 2005 budget amounts to around euro 5.1 billion.
FUNDING FOR THE BRITISH REBATE (2012)

- Others: 6%
- Portugal: 2%
- Poland: 2%
- Ireland: 2%
- Greece: 3%
- Finland: 3%
- Denmark: 3%
- Germany: 5%
- Belgium: 5%
- Spain: 14%
- Italy: 24%
- France: 31%
CHALLENGES OF ENLARGEMENTS FOR THE COHESION POLICY OF THE EU

• First, development disparities are magnified.
• Second, the center of gravity of cohesion policy shifted to eastern Europe.
• And the inequalities that already exist in the Europe of Fifteen didn’t vanish, which represents the third challenge.
I. DEVELOPMENT DISPARITIES

- The population and surface area of the Union, with the accession of the twelve States currently negotiating membership, increased by one third, but GDP by a mere 5%.

- A new group of States emerged in the enlarged Union: those with income of less than 40% of the European Union average.
2. THE CENTER OF GRAVITY ISSUE

- Of the 105 million inhabitants of the new EU states, more than 98 million live in regions whose current GDP is less than 75% of the average of the enlarged Union.
3. INEQUALITIES IN THE EU

• It is necessary to contribute to the development of the regions most in need, but also to continue providing assistance for the enduring difficulties in the current Member States.

• And it must be kept in mind that structural weaknesses are found not only in the less developed regions, but also in cities, where disparities in income can still be glaring.
## COHESION POLICIES 2007–2013

<table>
<thead>
<tr>
<th>Objective</th>
<th>Percentage</th>
<th>Total (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Convergence objective</strong>&lt;br&gt;78.5% (EUR 264bn.)</td>
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<tr>
<td>Regional and national programmes&lt;br&gt;ERDF&lt;br&gt;ESF</td>
<td>Regions with a GDP/head &lt;75% of average EU25</td>
<td>• innovation;&lt;br&gt;• environment/risk prevention;&lt;br&gt;• accessibility;&lt;br&gt;• infrastructure;&lt;br&gt;• human resources;&lt;br&gt;• administrative capacity</td>
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<tr>
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<td>Statistical effect:&lt;br&gt;Regions with a GDP/head</td>
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<tr>
<td><strong>Cohesion Fund</strong></td>
<td>Member States&lt;br&gt;GNI/head &lt;90%&lt;br&gt;EU25 average</td>
<td>• transport (TENs);&lt;br&gt;• sustainable transport;&lt;br&gt;• environment;</td>
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<td><strong>Regional competitiveness and employment objective</strong>&lt;br&gt;17.2% (EUR 57.9 bn)</td>
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<td>Regional programmes&lt;br&gt;(ERDF)&lt;br&gt;and national programmes&lt;br&gt;(ESF)</td>
<td>Member States suggest a list of regions&lt;br&gt;(NUTS I or II)</td>
<td>• Innovation&lt;br&gt;• environment/risk prevention&lt;br&gt;• accessibility&lt;br&gt;• European employment strategy</td>
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<td>“Phasing-in”&lt;br&gt;Regions covered by objective 1 in 2000-06 period and not covered by the convergence objective</td>
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<td><strong>European territorial co-operation objective</strong>&lt;br&gt;3.94% (EUR 13.2 bn.)</td>
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<td>Cross-border and transnational programmes and networking (ERDF)</td>
<td>Border regions and greater regions of transnational co-operation</td>
<td>• innovation;&lt;br&gt;• environment/risk prevention;&lt;br&gt;• accessibility</td>
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</table>
CONVERGENCE OBJECTIVE

- Regions at level 2 of the NUTS classification whose GDP (Gross Domestic Product) per inhabitant is less than 75% of the Community average are eligible for funding under the Convergence objective.

- **Bulgaria**: the whole territory
- **Czech Republic**: Střední Čechy, Jihozápad, Severozápad, Severovýchod, Jihovýchod, Střední Morava, Moravskoslezsko
- **Germany**: Brandenburg-Nordost, Mecklenburg-Vorpommern, Chemnitz, Dresden, Dessau, Magdeburg, Thüringen
- **Estonia**: the whole territory
- **Greece**: Anatoliki Makedonia, Thraki, Thessalia, Ipeiros, Ionia Nisia, Dytiki Ellada, Peloponnisos, Voreio Aigaio, Kriti
- **Spain**: Andalucía, Castilla-La Mancha, Extremadura, Galicia
- **France**: Guadeloupe, Guyane, Martinique, Réunion
- **Hungary**: Közép-Dunántúl, Nyugat-Dunántúl, Dél-Dunántúl, Észak-Magyarország, Észak-Alföld, Dél-Alföld
- **Italy**: Calabria, Campania, Puglia, Sicilia
- **Latvia**: the whole territory
- **Lithuania**: the whole territory
- **Malta**: the whole island
- **Poland**: the whole territory
- **Portugal**: Norte, Centro, Alentejo, Região Autónoma dos Açores
- **Romania**: the whole territory
- **Slovenia**: the whole territory
- **Slovakia**: Západné Slovensko, Stredné Slovensko, Východné Slovensko
- **United Kingdom**: Cornwall and Isles of Scilly, West Wales and the Valleys
For information at national and regional level click on a country.
ELIGIBLE AREAS IN SPAIN
ELIGIBLE REGIONS IN GERMANY
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<th>Structural Funds and instruments</th>
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<td>ERDF</td>
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<td>European Territorial Cooperation</td>
<td>ERDF</td>
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COHESION FUND
2007–2013

• Member States whose GNI (Gross National Income) is lower than 90% of the EU average can benefit from cohesion fund: that is all the regions of the following countries:

• **Bulgaria, Czech Republic, Estonia, Greece, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia, and Slovakia**

• A phasing-out system is granted to Member States which would have been eligible for the Cohesion Fund if the threshold had stayed at 90% of the GNI average of the EU **at 15** and not **at 28**. This only concerns Spain.
For the 2007-2013 period, the Cohesion Fund concerns Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. The Cohesion Fund allocates a total of € 66 billion to activities under the following categories:

- trans-European transport networks, notably priority projects of European interest as identified by the EU. The Cohesion Fund will support infrastructure projects under the Connecting Europe Facility;
- environment: here, the Cohesion Fund can also support projects related to energy or transport, as long as they clearly benefit the environment in terms of energy efficiency, use of renewable energy, developing rail transport, supporting intermodality, strengthening public transport, etc.

The financial assistance of the Cohesion Fund can be suspended by a Council decision (taken by qualified majority) if a Member State shows excessive public deficit and if it has not resolved the situation or has not taken the appropriate action to do so.
ERDF CRITERIA AND TARGETS

The ERDF focuses its investments on several key priority areas. This is known as ‘thematic concentration’:
- Innovation and research;
- The digital agenda;
- Support for small and medium-sized enterprises (SMEs);
- The low-carbon economy.

The ERDF resources allocated to these priorities will depend on the category of region.
- In more developed regions, at least 80% of funds must focus on at least two of these priorities;
- In transition regions, this focus is for 60% of the funds;
- This is 50% in less developed regions.

Furthermore, some ERDF resources must be channelled specifically towards low-carbon economy projects:
- More developed regions: 20%;
- Transition regions: 15%; and
- Less developed regions: 12%.
The ESF investments cover all EU regions. More than € 74 billion is earmarked for human capital investment in Member States between 2014 and 2020, with € 3 billion allocated to the Youth Employment Initiative. For the 2014-2020 period, the ESF will focus on four of the cohesion policy’s thematic objectives:

• promoting employment and supporting labour mobility
• promoting social inclusion and combating poverty
• investing in education, skills and lifelong learning
• enhancing institutional capacity and an efficient public administration

In addition, 20 % of ESF investments will be committed to activities improving social inclusion and combating poverty.