

# EU Budget and Financial Perspective 2007-2013

AEPLAC training course  
19 December 2009  
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# EU budget

- Budgeting is based on previously agreed priorities and policies
- During last 30 years the EU budget has remarkably grown and policies have changed:
  - 1970 budget volume was 3,6 billion ECU (19 ECU per capita)
    - Almost solely for agriculture
  - Presently volume is 100 billion EUR (250 EUR per capita)
    - Agriculture
    - Regional development
    - International aid and co-operation

# What is EU Financial Perspective?

- Financial Perspective (FP) is a tool for multi-annual planning of the EU budget. FP fixes levels of revenues and expenditures to guarantee:
  - Budgetary discipline
  - Continuity and stability of expenditures
    - FP is set for at least 5 years
    - 2007-2013 FP was adopted for 7 years
  - FP is adopted by the Council with unanimity

# Revenues of the EU budget

- EU budget is financed mainly through member states' **own resources**
- In 2007-2013 FP own resources are between 1.0 -1.06% of the EU GDP
  - Revenues must = with expenditures
- Traditional own-resources (17% of budget revenues):
  - **Import customs duty** on agricultural products
    - Other import custom duties
  - **VAT based** own resource (17% of budget revenues)
- Own resource calculated from the GDP of member states' (65% of budget revenues)

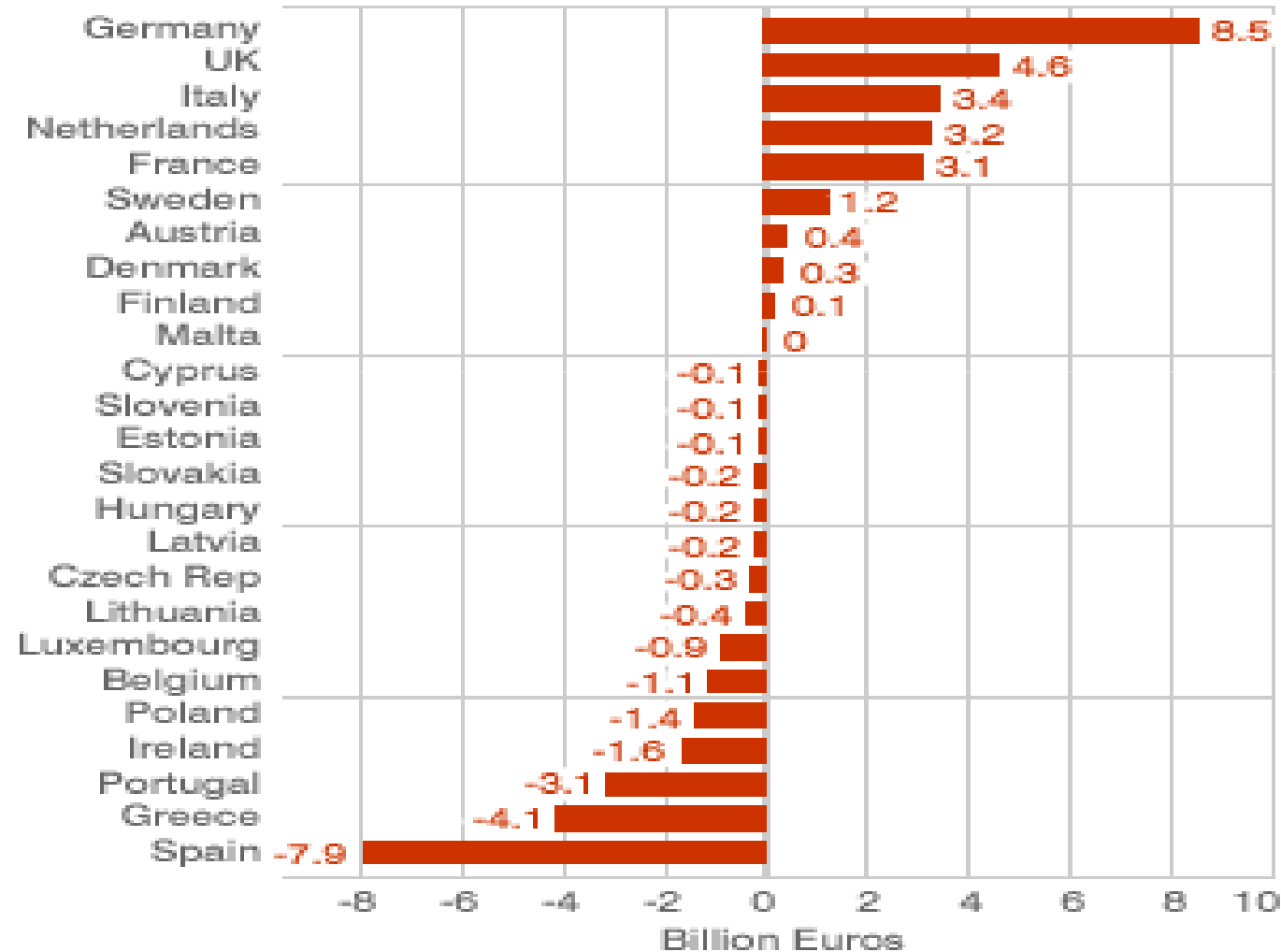
# 2000-2006 FP

(billion EUR)

	2000	2006
<b>Agriculture</b>	40,9	41,7
<b>Structural policy</b>	32,0	29,2
<b>Other internal policies</b>	5,9	6,6
<b>External activities</b>	4,6	4,6
<b>Administration</b>	4,6	5,1
<b>Pre-accession aid</b>	3,12	3,12
<b>TOTAL</b>	<b>89,6</b>	<b>103,8</b>
<b>EU enlargement (since 2002)</b>		14,2

# Who pays and who receives?

## NET GIVERS AND TAKERS (2004)



SOURCE: Based on European Commission data

# 2007-2013 FP priorities - Sustainable development

Competitiveness, increase of economic growth and employment – implementation of Lisbon Strategy

- Competitiveness of enterprises (technological development, SME development, e-services, improvement of internal market)
- Improvement of research and development (**3% GDP**, European Research Area)
- Development of European networks (transport, roads)
  - Improvement of education and training
  - Social policy agenda

# 2007-2013 FP priorities - Sustainable development

- Cohesion policy and employment
  - Convergence – decrease of differences in development levels
  - Improvement of regional competitiveness
    - European territorial co-operation
    - Co-operation of border areas (inside EU)
- Co-operation with neighbouring areas (outside EU)

# 2007-2013 priorities - Citizens of Europe

- Protection of external borders and immigration
  - Coping with increasing levels of immigration
- Justice and security
  - Prevention of crime, police co-operation
- Access to basic goods and services
  - Consumer and health protection
  - Preparations for natural catastrophes
- Heterogeneous Europe – cultural co-operation

# 2007-2013 priorities - EU as a global partner

- Co-operation with neighbours
- EU as a promoter of sustainable development
  - Development aid
  - EU's global role
- Common Foreign and Security Policy
  - Co-ordination of aid policies

# Finances (billion Euros)

	2006	2007	2013	%
<b>Sustainable development</b>	47.6	59.7	76.8	161
<b>-competitiveness</b>	8.8	12.1	25.8	294
<b>-cohesion</b>	38.8	47.6	50.9	131
<b>Natural resources</b>	56.0	57.2	57.8	0
<b>-Including agriculture</b>	43.7	43.5	42.3	97
<b>EU citizens</b>	1.4	1.6	3.6	262
<b>EU as a Global partner</b>	11.2	11.4	15.7	140
<b>Administration</b>	3.4	3.7	4.5	131

# Share of various policies

Source: European Commission website

# Common Agriculture Policy CAP

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# Initial purposes of CAP and main problems

## PURPOSES

- Increase of productivity
- Satisfactory living standards for farmers
- Stabilisation of markets
- Guaranteed food supply
- Reasonable consumer prices

## PROBLEMS

- Overproduction
- High consumer prices
- Rigid market and inefficient production

Common market and common prices

## **Principles of CAP**

Favouring EU production

Production quotas in EU

Financial solidarity – subsidies (direct, price and rural development subsidies)

# Common Market mechanism's

Common Market instruments – I pillar of CAP:

- intervention mechanism
- external market organisation
  - production quotas
  - direct payments

## II pillar of CAP

Purpose is balanced rural development. Support for alternative activities in countryside.

### **Rural Development Policy**

Structural measures for rural development

- Agro-Environmental programmes*
- Early retirement of farmers*
- Forestation of arable land*
- Support for less-favourable agricultural regions*

# CAP reform 2003

Link cut between production and financial support -  
*“single payment scheme”*

*“cross compliance”* – support depends on fulfilling  
environmental, quality and health criteria

Less support for larger producers

Decreasing direct supports

Stronger Rural Development – strengthening of CAP’s II  
pillar

Reform of several market organisations

# What reform actually means?

Case of the sugar sector – 2006-2010

Decreasing price by approximately 30%

Limiting direct supports in the level of 10% of the production price,  
additional one-time support given to producers decreasing  
production

Countries decreasing their quota more than 50% will have a  
additional 30% payment as a compensation

## Impact

59 factories closed in the period of 2006-2008, new planned  
factories are not opened (mainly in case of Poland)

7500 direct jobs lost and 35 000 indirect jobs lost