



Budgetary Support Service

THE EFFECT OF THE APPLICATION OF ARTICLE 272 OF THE EC TREATY

BUDGETARY AFFAIRS

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Effect of the application of article 272 of the EC Treaty

Article 272

9. A maximum rate of increase in relation to the expenditure of the same type to be incurred during the current year shall be fixed annually for the total expenditure other than that necessarily resulting from this Treaty or from acts adopted in accordance therewith.

The Commission shall, after consulting the Economic Policy Committee, declare what this maximum rate is as it results from:

- the trend, in terms of volume, of the gross national product within the Community;
- the average variation in the budgets of the Member States;
- and
- the trend of the cost of living during the preceding financial year.

The maximum rate shall be communicated, before 1 May, to all the institutions of the Community. The latter shall be required to conform to this during the budgetary procedure, subject to the provisions of the fourth and fifth subparagraphs of this paragraph.

If, in respect of expenditure other than that necessarily resulting from this Treaty or from acts adopted in accordance therewith, the actual rate of increase in the draft budget established by the Council is over half the maximum rate, the European Parliament may, exercising its right of amendment, further increase the total amount of that expenditure to a limit not exceeding half the maximum rate.

Where 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.

- In the absence of a Financial Perspective, the EC Treaty provides for annual budgets based on the procedure of article 272, para. 9. The attached table is a simulation of the possible evolution of the application of the annual procedure foreseen by art. 272 of the Treaty and compares it with the figures resulting from the most recent proposals of the European Council, the Luxembourg compromise, the EP position of 8 June 2005 and the Commission proposals of 2004.

From a technical point of view:

- The simulation is based on the assumption that the classification of non-compulsory expenditure and compulsory expenditure (NCE/CE) of the 2006 budget is applied according to the Council classification.
- As the European Parliament's rights of increase through the MRI mechanism apply only to NCE, CE are assumed to be proposed by the Commission for the whole period.
- The MRI is calculated on the basis of 3.6% per year, i.e. 1.8% for the half MRI authorised for EP. This simulation is based on the Commission's estimates with no annual deflator in order to allow comparability at constant prices.
- The figures for Bulgaria and Romania are indicated in a separate row over the whole period.

From a political point of view:

- Besides these technical considerations, the attention should be drawn to other elements based on the experience of the years before 1988 when there were no financial perspectives.
- The procedure of art. 272 has a potential risk of conflict between EP and Council, as both arms of the budgetary authority could challenge the classification (basis for calculating the MRI) and render the procedure unstable.
- If there is no agreement on the Financial Perspective 2007-2013, the EP will be able to conclude the co-decisions with the Council. There are no difficulties in budgetary terms to finance multi-annual programmes with annual budgets¹
- , although it would generate a conflicting climate. Annual budgets and multi-annual programmes are not contradictory.

¹Working document N°1 by Reimer Böge on the Inter-institutional agreement on budgetary discipline and improvement of the budgetary procedure

Comparison between Commission proposal⁽¹⁾, Council proposals^(4, 5), EP's negotiating position⁽²⁾
and forecast procedure based on article 272⁽³⁾

Million € at 2004 prices

Basis for calculation ⁽⁶⁾		2007		2008		2009		2010		2011		2012		2013		Total	
		CA	PA	CA	PA	CA	PA	CA	PA	CA	PA	CA	PA	CA	PA	CA	PA
(a)=(c)-(b)	Commission proposal (NCE)⁽¹⁾	85.132	81.197	89.295	82.450	92.858	70.713	101.763	91.228	105.533	92.193	109.771	97.981	114.029	100.664	698.381	616.426
(b)	Commission proposal (CE)	48.428	48.428	49.405	49.405	50.282	50.282	44.907	44.907	44.667	44.667	44.544	44.544	44.421	44.421	326.654	326.654
(c)	Commission proposal (Total)	133.560	129.625	138.700	131.855	143.140	120.995	146.670	136.135	150.200	136.860	154.315	142.525	158.450	145.085	1.025.035	943.080
	% of GNI	1,22%	1,18%	1,23%	1,17%	1,24%	1,05%	1,25%	1,16%	1,25%	1,14%	1,25%	1,16%	1,26%	1,15%	1,24%	1,14%
(d)=(e)-(b)	EP Negotiating position (NCE)⁽²⁾	80.034	67.975	83.029	70.598	86.211	73.398	94.316	81.247	97.659	84.299	101.533	87.821	105.403	91.339	648.185	556.677
(b)	Commission proposal (CE)	48.428	48.428	49.405	49.405	50.282	50.282	44.907	44.907	44.667	44.667	44.544	44.544	44.421	44.421	326.654	193.022
(e)	EP Negotiating position (Total)	128.462	116.403	132.434	120.003	136.493	123.680	139.223	126.154	142.326	128.966	146.077	132.365	149.824	135.760	974.839	883.331
	% of GNI	1,17%	1,06%	1,18%	1,07%	1,19%	1,08%	1,18%	1,07%	1,18%	1,07%	1,19%	1,07%	1,19%	1,08%	1,18%	1,07%
	MRI (NCE) ⁽³⁾ -Art. 272 of EC Treaty	73.597	64.556	74.944	65.737	76.316	66.940	77.712	68.165	79.134	69.412	80.582	70.683	82.057	71.976	544.343	477.469
	Bulgaria & Romania NCE (Simulation)	428	377	462	407	468	412	5.405	4.756	5.468	4.812	5.579	4.909	5.691	5.008	23.500	20.680
(f)	Total MRI NCE - art. 272+ BG-RO	74.025	64.932	75.406	66.144	76.784	67.352	83.117	72.921	84.603	74.225	86.161	75.592	87.748	76.984	567.843	498.149
(b)	Commission proposal (CE)	48.428	48.428	49.405	49.405	50.282	50.282	44.907	44.907	44.667	44.667	44.544	44.544	44.421	44.421	326.654	326.654
(g)=(f)+(b)	Total MRI	122.453	113.360	124.811	115.549	127.066	117.634	128.024	117.828	129.270	118.892	130.705	120.136	132.169	121.405	894.497	824.803
	% of GNI	1,12%	1,03%	1,11%	1,03%	1,11%	1,02%	1,09%	1,00%	1,07%	0,99%	1,06%	0,98%	1,05%	0,96%	1,09%	1,00%
(h)=(i)-(b)	LUX proposal of 16 June (NCE)⁽⁴⁾	71.615	68.777	72.050	70.910	72.894	62.606	79.380	74.263	80.754	72.229	82.911	76.125	85.256	75.950	544.860	500.860
(b)	Commission proposal (CE)	48.428	48.428	49.405	49.405	50.282	50.282	44.907	44.907	44.667	44.667	44.544	44.544	44.421	44.421	326.654	326.654
(i)	LUX proposal of 16 June (Total)⁽⁴⁾	120.043	117.205	121.455	120.315	123.176	112.888	124.287	119.170	125.421	116.896	127.455	120.669	129.677	120.371	871.514	827.514
	% of GNI	1,09%	1,07%	1,08%	1,07%	1,07%	0,98%	1,06%	1,01%	1,04%	0,97%	1,03%	0,98%	1,03%	0,96%	1,06%	1,01%
(j)=(k)-(b)	Council position of 19 December (NCE)⁽⁵⁾	72.173	68.222	71.902	70.130	72.080	61.548	77.845	73.173	78.974	70.928	80.511	74.526	82.225	74.199	535.710	492.726
(b)	Commission proposal (CE)	48.428	48.428	49.405	49.405	50.282	50.282	44.907	44.907	44.667	44.667	44.544	44.544	44.421	44.421	326.654	326.654
(k)	Council position of 19 December (Total)	120.601	116.650	121.307	119.535	122.362	111.830	122.752	118.080	123.641	115.595	125.055	119.070	126.646	118.620	862.364	819.380
	% of GNI	1,10%	1,06%	1,08%	1,06%	1,06%	0,97%	1,04%	1,00%	1,03%	0,96%	1,02%	0,97%	1,00%	0,94%	1,046%	0,994%
	Differences NCE	CA	PA	CA	PA	CA	PA	CA	PA	CA	PA	CA	PA	CA	PA	CA	PA
(l)=(f)-(j)	MRI/Council position of 19 December 2005	1.852	-3.290	3.504	-3.986	4.704	5.804	5.272	-252	5.629	3.297	5.650	1.066	5.523	2.785	32.133	5.423
(m)=(f)-(d)	MRI/EP negotiation position of 8 June 2005	-6.009	-3.043	-7.623	-4.454	-9.427	-6.046	-11.199	-8.326	-13.056	-10.074	-15.372	-12.229	-17.655	-14.355	-80.342	-58.528
(n)=(d)-(j)	EP/Council position of 19 December 2005	7.861	-247	11.127	468	14.131	11.850	16.471	8.074	18.685	13.371	21.022	13.295	23.178	17.140	112.475	63.951
	GNI forecast SPRING 2005 at prix 2004	2007	2008	2009	2010	2011	2012	2013									
		10.981.747	11.237.488	11.498.319	11.775.655	12.036.488	12.316.018	12.602.343									

82.448.058

(1) SEC(2005) 494 final
(2) A6-0153/2005
(3) All figures based on the assumption that CE will be maintained at Commission level. Estimation MRI based on 2006 PDB, a rate of 3.7% + cost for Bulgaria and Romania.
(4) CadreFin 130 ADD
(5) CadreFin 268