



**COUNCIL OF
THE EUROPEAN UNION**



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Council approves agreement with Parliament on budgetary discipline for the 2007-13 period

The Council endorsed today¹ a provisional agreement reached on 4 April with representatives of the European Parliament on the EU's budgetary framework for the 2007-13 period, together with a number of provisions on budgetary discipline and improvement of the EU's annual budgetary procedure.

The new inter-institutional agreement (IIA) will enter into force on 1 January 2007, replacing an existing agreement dating from May 1999. It is based on the consensus reached by the European Council on 16 December on the EU's budgetary framework for the 2007-13 period (*15915/05*).

¹ The decision was taken by the General Affairs and External Relations Council, without discussion.

P R E S S

The Parliament is expected to approve the IIA and various joint declarations on 17 May. Representatives of Parliament, Council and Commission will then sign the text.

The main points agreed on are:

- **Level of spending** (IIA). Parliament and Council reached agreement on a budgetary framework providing for EU spending of up to EUR 864 billion over the 2007-13 period.

Although the new overall ceiling is only EUR 2 billion higher than that in the European Council's December agreement, the agreement with Parliament in fact allows for an increase in expenditure of EUR 4 billion. This is achieved by removing from the financial framework a EUR 1.5 billion emergency aid reserve (*see below*) and establishing it outside the framework, and by reducing the heading for administrative expenditure by EUR 500 million.

The EUR 4 billion extra spending is allocated as follows:

- Heading 1A, EUR 2.1 billion, of which:
 - lifelong learning (Erasmus and Leonardo programmes) EUR 800 million;
 - trans-European networks (energy, transport, telecommunications) EUR 500 million;
 - competitiveness and innovation, EUR 400 million;
 - research and technological development (7th framework programme), EUR 300 million;
 - social policy agenda (Progress programme), EUR 100 million.
- Heading 1B, EUR 300 million, for territorial cooperation.
- Heading 2, EUR 100 million for future actions (Life + and Natura 2000 programmes).

- Heading 3B, EUR 500 million, of which:
 - culture, youth, Citizens for Europe, EUR 300 million;
 - health and consumer protection, EUR 200 million.
- Heading 4, EUR 1 billion, of which:
 - common foreign and security policy, EUR 800 million;
 - European neighbourhood and partnership instrument, EUR 200 million.
- ***Flexibility in the allocation of spending*** (IIA). Four spending reserves outside the financial framework are provided for:
 - Flexibility instrument. With an annual ceiling of EUR 200 million, the instrument enables the financing of clearly identified expenditure that cannot be financed under the budget ceilings;
 - Solidarity fund. Funded up to EUR 1 billion annually, the EU solidarity fund, created in 2002 in order to provide rapid assistance in the event of major disasters in the member states, is incorporated into the new IIA;
 - Globalisation fund. The Commission has made a proposal for the creation of a fund, as agreed by the European Council in December, to assist workers made redundant as a result of major structural changes in world trade as regards re-training and their efforts to find new jobs. The fund will be financed up to EUR 500 million annually through under-spends in the budget ceilings and/or de-committed funds;
 - Emergency aid reserve. The reserve, which allows rapid response to the needs of third countries following unforeseen events, will be financed up to EUR 221 million annually. It is essentially for humanitarian operations, though also civil crisis management and protection where required.

- **Review in 2008-09** (joint declaration). Parliament, Council and Commission agreed on a declaration on the subject of the review provided for by the European Council's agreement in December. This concerns essentially how the Parliament will be associated with the review.

 - **Other issues:**
 - *Control of funds* (IIA). Parliament, Council and Commission agreed on the importance of ensuring effective and integrated internal control of EU funds.

 - *Implementation* (IIA and joint declaration). The Parliament and the Council commit themselves to concluding negotiations, on the basis of a proposal from the Commission, so as to enable a new financial regulation to enter into force, if possible on 1 January 2007. The aim is to improve implementation of the budget, to ensure sound financial management and to increase the visibility of spending, whilst simplifying funding procedures and ensuring the protection of the EU's financial interests.

 - *New financial instruments* (joint declaration). The Commission is requested to make proposals, in cooperation with the European Investment Bank and in accordance with the European Council's December conclusions, to enable an increase in the EIB's capacity for research and development loans up to EUR 10 billion for the 2007-13 period. It is also requested to make proposals to reinforce instruments in favour of trans-European networks and small and medium-sized enterprises.

 - *External relations* (joint declaration). The three institutions acknowledge the need for rationalising the various instruments for external relations, without affecting the powers of Parliament or Council in either the legislative or budgetary fields.
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