Budgetary discipline and sound financial management as well as financial perspectives 2007-2013

2006/2028(ACI) - 17/05/2006 - Final act

PURPOSE: to conclude a new Interinstitutional Agreement on improving budgetary discipline and sound financial management for the period 2007-2013.

LEGISLATIVE ACT: Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management.

CONTENT: the purpose of this Agreement is to implement budgetary discipline and to improve the functioning of the annual budgetary procedure and cooperation between the institutions on budgetary matters as well as to ensure sound financial management. Budgetary discipline under this Agreement covers all expenditure. It is binding on all the institutions for as long as this Agreement is in force.

This Agreement does not alter the respective budgetary powers of the institutions.

Any amendment of this Agreement requires the consent of all the institutions. Changes to the financial framework must be made in accordance with the procedures laid down for that purpose in this Agreement.

This Agreement is in three parts:

- Part I contains a definition and implementing provisions for the financial framework and applies for the duration of that financial framework (see procedure file ACI/2004/2099 for more information on this issue).
- Part II relates to improvement of interinstitutional collaboration during the budgetary procedure.
- Part III contains provisions related to sound financial management of EU funds.

The Commission will, whenever it considers it necessary and in any event at the same time as it presents a proposal for a new financial framework, submit a report on the application of this Agreement, accompanied where necessary by a proposal for amendments. This Agreement enters into force on 1 January 2007 and replaces the Interinstitutional Agreement of 6 May 1999 (see ACI/1998/2064).

Main issues of the agreement are as follows:

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.

- 2007 : EUR 120 702 million;
- 2008 : EUR 121 473 million;
- 2009 : EUR 122 564 million;
- 2010 : EUR 122 952 million;
- 2011 : EUR 124 007 million;
- 2012 : EUR 125 527 million;
- 2013 : EUR 127 091 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 retraining 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 decommitted 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.