

# 2006 discharge: EC general budget, Section III, Commission

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to present the revenue and expenditure account and the balance sheet relating to the 2006 budget (Section III – Commission: political presentation).

CONTENT: this document, presented in parallel with the implementation of the 2006 budget expenditure (refer to SEC(2007)1056 for details), presents a political and detailed analysis of the use of payment appropriations by the Commission in 2006. The main information presented in this summary is extracted from the [EU Budget 2006 Financial Report](#). This report marks an important development in terms of reporting on the EU budget. For the first time, a single report provides an overview of how the budget was spent and managed. It offers two angles of analysis on the implementation of the budget: first by main heading of the financial perspectives 2000–06, then by heading and Member State. Information is given on the procedure leading to the adoption of the budget, as well as on the annual accounts and treasury management.

Main trends in expenditure in 2006: the EU budget 2006 amounted to:

- EUR 120.6 billion in commitments;
- EUR 107.4 billion in payments.

respective increases over 2005 of 4 % and 1.6 %. **Around 99 % of these legally available amounts were spent**, thanks to activity-based budgeting, active management of appropriations and cooperation with all stakeholders.

Some 92 % of the committed amounts were allocated to activities within the European Union and the remaining 8 % went to third countries, mainly in the form of pre-accession aid to potential EU members and development aid to developing countries.

The Commission vigorously pursued the refocusing of the EU budget on growth and jobs, to support the implementation of the Lisbon strategy. The share of the budget dedicated directly to these policies, through both competitiveness and cohesion expenditure, amounted to 39 % of the budget. The implementation of this budget took place in a dynamic economic environment, as demonstrated by the following key data:

## Growth at its highest since 2000

- 3 % in the EU-25
- 2.7 % in the euro area
- expected to reach 2.9 % in 2007 for the EU-27

## Unemployment down

- to 7.5 % in the EU-25 from 8.6 % in 2005
- to 7.5 % in the euro area from 8.4 % in 2005

## More people in active employment

- 3 million new jobs created in the EU (up 1.6 % from 2005),
- 2 million of which are in the euro area (up 1.4 %)

**The end of the 2000-2006 Financial Framework:** the EU budget for 2006 was the last budget covered by the financial framework 2000–06. The legal bases of many EU programmes and funds, such as Culture, Media, Socrates, European Regional Development Fund and the European Social Fund, expired at the end of 2006. Accordingly, the 2006 budget included the last appropriations available to finance the objectives defined at the outset of these programmes. Given the multiannual nature of some of the EU projects, a part of the amounts committed will in fact be paid out in 2007 and 2008.

**Two key events in 2006: financial framework 2007–2013 and new financial rules:** the first months of 2006 saw the final negotiations between the European Parliament, the Council and the Commission, on the financial framework 2007–13. The new [Interinstitutional Agreement](#) on budgetary discipline and sound financial management was formally signed by the three institutions on 17 May 2006. The difficult negotiations were instrumental in convincing all parties involved of the need to carry out a thorough review of the budget, both in terms of expenditure and revenue, a task which was given to the Commission, who will report back to the Council and Parliament at the end of 2008 or beginning of 2009.

As regards the new financial rules, 2006 also saw the adoption by the Council of new financial rules to improve the management of EU expenditure, on 13 December. The new rules, described in the [Financial Regulation](#) and its Implementing Rules, simplify access to EU funding and cut red tape, for small-scale beneficiaries in particular. They also include, for the first time, the obligation to publish the lists of beneficiaries who receive EU money through Member States, third countries or international organisations. Sound financial management will be reinforced thanks to the commitment from Member States to improve reporting on how EU funds which they manage are spent and to exchange information on proven fraud cases. All provisions of the new Financial Regulation and its Implementing Rules entered into force by 1 May 2007.