2006 budget: Section III, Commission

2005/2001(BUD) - 15/07/2005 - Council draft budget

Following its first reading, the Council adopted the preliminary draft budget (PDB) for the 2006 financial year. The aggregate expenditure figures of the 2006 budget are:

- EUR 120 809.60 for commitment appropriations and

- EUR 111 421.36 for commitment payments

Under the draft budget established by the Council, commitment appropriations increase by 3.70% compared to the 2005 budget and payment appropriations by 4.88%.

To recall, the rectified PDB (which takes account of the final figures for all of the institutions other than the Commission) adds up to:

- EUR 121 288.04 million commitment appropriations c/a (+ 4.11% compared to 2005) and

- EUR 112 567.05 million for payments appropriations c/p (+ 5.95% compared to 2005).

According to the Council, the draft budget:

- Is compatible with the Inter-institutional Agreement of May 1999 on budgetary discipline and improvement of the budgetary procedure.

- Takes account of the Council conclusions on the budget guidelines for 2006 adopted in March 2006.

It takes particular care to:

- Apply budgetary discipline to all parts of the budget;

- Leave adequate margins below the ceilings for the Headings of the Financial Perspective, except for Heading 2, in order to cope with unforeseen situations.

- Provide adequate funding for the EU's various priorities.

- Offer a limited and controlled growth of payment appropriations in comparison with 2005, taking into account the implementation rate in the previous years and the foreseeable implementation rate.

- Confirms that the Copenhagen commitments have been taken on board.

- Takes account of the "activity statements" covering the whole range of political policies (ABB).

It was guided by the following principles:

- On agriculture, it was agreed to take account of updated requirement estimates – without the need to rule out a limited reduction in appropriations for agricultural expenditure.

- To honour the commitments written into the Financial Perspective for structural operations.

- On the matter of the level for payment appropriations, the Council has limited, slightly, the increase of payment appropriations, taking into account the implementation rate of previous years as well as the foreseeable implementation rate. The total increase for 2006 thus remains 9.5%.

- For *internal policies*, the Council has taken account of appropriations utilisation possibilities, bearing in mind the need to keep a margin below the heading of the Financial Perspective, which gives room for the EP to choose its own priorities. Concerning the level for payment appropriations the Council has opted to limit the increase even though an increase of 11.8% for RT&D is foreseen.

- For *external actions*, the Council has taken account of current priorities in this field. It has also taken account of maintaining a margin set below that of the Financial Perspective relating to finances set aside for the forthcoming reforms of the sugar market.

- For *administrative expenditure*, a margin has been set, which is below that of the Financial Perspective and which respects the framework for sound financial management.

- For *pre-accession aid*, the Council accepts the PDB for commitment appropriations. The level of payment appropriations has been limited to an increase, which takes account of previous years spending.

- For overall payment appropriations, the Council has taken account of the implementation rate over the past few years, the scale of utilisation, the likely rate of payments under outstanding commitments and constraints upon national budgets. Bearing all of this in mind, the Council has opted for an increase in payment appropriations of 7.8% for non-compulsory expenditure.

In terms of a heading-by-heading analysis, the following observations can be made:

a) in the case of agricultural spending (Heading 1), the Council agrees to retain an across-the-board reduction in commitment and payment appropriations requested in the PDB by an amount of EUR 150 million, where the appropriations are greater than EUR 50 million. The Council has set the margin available under Heading 1 at EUR 1 355.68

b) for structural operations (Heading 2), the Council accepts the PDB's proposed commitment appropriations and to retain an across-the-board reduction of EUR 150 million in Structural Fund payment appropriations (EUR 72 million) and Community initiatives (EUR 78 million). The margin is to be set at EUR 61.99 million.

c) for internal policies (Heading 3), the Council accepts the amounts proposed and has agreed to limit some budget line appropriations not based on multi-annual programmes. Thus, commitments are to be reduced by a total of EUR 21.05 million. This relates in particular to Commission prerogatives, pilot projects and preparatory actions. The Council also agrees to limit the increase of appropriations for subsidising some agencies through a total reduction equivalent to EUR 22.36 million.

d) for external actions (Heading 4) the Council agrees to retain an across-the-board reduction of 3.87% in commitments relating to various Chapters. Co-decided programmes such as CFSP, the Asian Tsunami and Iraq are excluded. A reduction of 2% has been applied to Afghanistan. Additionally, the Council accepts the amounts being proposed by the Commission for CFSP. The amounts proposed for International Fisheries Agreements have been reduced slightly. The margin for Heading 4 is set at EUR 41.65 million.

e) for administrative expenditure (Heading 5), the Council has applied a 2% reduction on current expenditure, to take account of efficiency gains and the impact of inter-institutional co-operation. The standard flat rate abatement on salaries for some institutions has increased. Further, the Council accepts all new A* posts requested for enlargement activities whilst making some reduction to the grade B and C posts. The margin available under this Heading has been set at EUR 130.11 million.

f) for pre-accession instruments (Heading 7), the Council accepts the PDB for commitment appropriations. At the same time it is limiting the increase for payment appropriations as proposed in the PDB, leading to a reduction of EUR 127.25. The margin available under this Heading has been set at EUR 1 085.40 million

g) for compensations (Heading 8), the Council accepts the figures presented in the PDB and has accordingly set the margin available under this Heading at EUR 499 668. Lastly,

h) for revenue, the Council accepts the figures set out in the PDB, subject to the technical adjustments arising from changes made to expenditure and staff in the draft budget.