2006 budget: Section III, Commission

2005/2001(BUD) - 01/12/2005 - Council amended draft budget

On 1 December 2005, after having deliberated with the Commission, the Council of the European Union carried out a second reading of the draft general budget of the European Communities for 2006 in accordance with Article 272(5) of the EC Treaty.

The Council held its customary meeting with a delegation from the European Parliament on 24 November 2005, led by Mr Janusz LEWANDOWSKI, Chairman of the Committee on Budgets, and including Mr Reimer BÖGE (Vice-Chairman), Mr Jan MULDER (Vice-Chairman), Mr Giovanni PITTELLA, Rapporteur for Section III (Commission) of the budget for 2006 and Mr Valdis DOMBROVSKIS , Rapporteur for the other Sections of the budget for 2006.

Despite major progress in bringing positions closer together, mainly on the establishment of the level of payment appropriations and the use of the flexibility instrument, representatives of the two institutions were unable to reach total agreement at their meeting of 24 November 2005.

Main results of the Council's second reading of the Draft Budget for 2006:

In assessing the outcome of the Parliament's first reading of the Draft Budget for 2006, the Council was guided by the following principles:

- it ensured compliance with the annual expenditure ceilings set by the Financial Perspective (meaning no recourse to the flexibility instrument);
- it adopted a limited and controlled growth of the volume of payment appropriations by maintaining the agreed level of payment appropriations of the Council first reading, taking into account in particular the constraints upon national budgets;
- it ensured compliance with the relevant provisions regarding the placing of appropriations in reserve, the classification of expenditure, legal bases, preparatory measures and pilot programmes; in this context, it restated the Council's opposition to the European Parliament using conditional reserves in breach of the Financial Regulation;
- it also restored the first reading of the Draft Budget for Articles 21 03 01 to 21 03 16 related to EDF, since the inclusion of funding, or even just a budgetary structure to cover it, would not have the necessary legal basis and would therefore not be justified. It also constitutes, by its very nature, compulsory expenditure.

The main results of the Council's discussions at second reading, Amending Letters Nos. 1 and 2 included are as follows:

1) with regard to **CAP** expenditure (sub-Heading 1a of the Financial Perspective), to fully approve Amending Letter No. 2 to the Preliminary Draft Budget for 2006. It also reinstated the amounts proposed in the Preliminary Draft Budget for budget lines which had been reduced during the first reading of the budget, and which are not affected by Amending Letter No. 2/2006;

2) to maintain the Draft Budget established by the Council with regard to rural development expenditure (sub-Heading 1b of the Financial Perspective);

3) to maintain the Draft Budget established by the Council with regard to **structural operations** (Heading 2 of the Financial Perspective);

4) to accept in part amendments relating to **internal policies** (Heading 3 of the Financial Perspective) taking into account their nature (Special events), the update of co-decided amount (SME) or the level needed for payment appropriations (Research) and to maintain the Draft Budget established by the Council for other budget lines. It did also accept the study included in Amending Letter No. 2 to the Preliminary draft Budget for 2006;

5) regarding **external actions** (Heading 4 of the Financial Perspective), to maintain the Draft Budget established by the Council. It also accepted Amending Letter No. 1 to the Preliminary Draft Budget for 2006 regarding the consequences of the Sugar reform in the ACP countries;

6) with regard to **administrative expenditure** (Heading 5 of the Financial Perspective), to accept in part an amendment for the Commission budget by reducing the standard abatement on salaries taking into account the current level of recruitment and to maintain the Draft Budget established by the Council for the other budget lines. It also maintained the Draft Budget established by the Council for the other institutions apart from amendments to the European Parliament's own budget section which were accepted ("Gentlemen's Agreement").

7) to maintain the Draft Budget established by the Council with regard to **pre-accession aid** (Heading 7 of the Financial Perspectives).

Main expenditures by budget heading:

The draft budget as drawn up on the basis of a total level of payment appropriations of **EUR 111 422** million (the equivalent of **1,01% of GNI**) and **EUR 120 653 million** in commitment appropriations.

On this basis, the amounts approved by the Council in second reading are as follows (in payment appropriations only):

- **Heading 1 : Agriculture** : EUR 50 991 million broken down into :

  1a. Market expenditure: EUR 43 279 million

  1b. Rural development: EUR 7 711 million

- **Heading 2 : Structural operations :** EUR 35 489 million
- **Heading 3 : Internal policies** : EUR 8 504 million
- **Heading 4 : External actions** : EUR 5 296 million
- **Heading 5 : Administration** : EUR 6 584 million
- **Heading 7 : Pre-accession aid** : EUR 3 025 million.