

Interinstitutional agreement on budgetary discipline and sound financial management for the period 2007-2013

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This Commission working document concerns the contributions to the interinstitutional negotiations on the proposal for renewal of the IIA on budgetary discipline and improvement of the budgetary procedure. On 1 February 2006, the Commission approved a working document on a modified Interinstitutional Agreement (IIA) proposal. This proposal was accompanied by a letter from President Barroso which notably comments on some issues which are not included in the proposal for an IIA but are of importance for the forthcoming negotiations.

The objective of the present Commission Working Document is to translate in a more formal way some of the issues referred to in the letter from President Barroso and to submit them to the Trilogue (Commission, European Parliament and the Council) as concrete elements for the negotiation. The issues are as follows:

- **New financial instruments** : for the future financial framework period, the Commission intends to increase the leverage of EU funds by improving synergies between the action of the EU budget and the activities of the European Investment Bank (EIB). It has notably already proposed the creation of a risk sharing finance facility to boost the financing of research and is working on a special instrument to mobilise funds for the implementation of TEN - Transport projects. The objective is to increase up to EUR 10 billion the EIB's capacity for research and development loans in the period 2007-2013.
- **Financial Regulation**: the Commission already proposed a major review of the Financial Regulation and of its implementing rules in force. The European Parliament and the Council are firmly committed to conclude the negotiations on the Financial Regulation in due time to allow for its entry into force on 1 January 2007.
- **Certification by Member States**: the Commission has undertaken very important reforms to improve the financial management of all Budget sectors. An appropriate follow-up of this action plan has to be ensured in particular in the field of national declarations and the definition of the level of risk to be tolerated. The European Parliament, the Council and the Commission agree on the importance of strengthening internal control without adding to the administrative burden for which the simplification of the underlying legislation is a prerequisite. In this context, priority will be given to managerial accountability under shared management in the form of national declarations. Member States will designate the bodies to be responsible for declarations before September 2006.
- **Democratic scrutiny and coherence of external actions**: the Commission is determined to promote policy coherence in Europe's external action and avoid the unnecessary multiplication and rigidity of external action instruments. The Commission agrees that the proposed rationalisation of instruments should not reduce the powers of either the legislative authority or the budgetary authority.
- **Agencies**: concerns have been expressed about the increase in the number of agencies, and the need to ensure that this does not result in the transfer of Community competencies to intergovernmental structures. The Commission also recognizes that possible difficulties could stem from the creation of new agencies during the financial framework 2007-2013, in particular when their financing would be under already tight ceilings. In order to respond to these concerns, the Commission proposes that, whenever it is envisaged to create a new agency, its financial impact be discussed by the Budgetary Authority during a trilogue, on the basis of a Commission analysis.

- **Own resources:** the draft IIA presented on 1 February by the Commission already includes a review clause. According to this provision, the Commission shall present a comprehensive White Paper covering all aspects of the EU budget, revenues and expenditure. This exercise, to be launched after final agreement has been reached among the Institutions on all elements of the next Financial Perspectives, will be the fruit of detailed preparation and wide consultation. In the context of the future revision of the own resources system, the institutions take note of the European Parliament intention to organise a conference of representatives of the European Parliament and the national parliaments.
- **Financial programming:** financial programming continues to have a crucial role for the annual budgetary procedure. The Commission intends to respect the commitments it has undertaken in the past concerning the information of the two arms of the budgetary authority (EP/Council) on Financial Programming. It is been formally proposed that the financial programming has to be updated by the Commission twice a year and considered, if necessary, at each trilogue meeting provided for in the Interinstitutional Agreement.