

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

2004/2099(ACI) - 17/05/2006

The European Parliament adopted a resolution drafted by Reimer **BÖGE** (EPP-ED, DE) by 440 votes for, 190 against and 14 abstentions and approved the the Interinstitutional Agreement (IIA) on budgetary discipline and sound financial management which it had agreed with the Council. In doing so, Parliament approved the EU's budget over the next seven years as well as the agreement reached with council and commission on 4 April 2006. (For an outline of the agreement, please see the document dated 15/05 /2006.) It is due to enter into force on 1 January 2007, replacing the current medium-term agreement which dates back to May 1999.

**Satisfaction with the final result:** Parliament stated that the agreement reached by the three institutions on 4 April 2006 was the only possible compromise that Parliament could achieve, within the magnitude of the negotiations, for a multi-annual Budget with a view to guaranteeing the continuity of EU legislation, ensuring sound financial management of EU funding and maintaining Parliament's legislative and budgetary powers over the next period. Parliament was satisfied that a newly elected Parliament will be able to assess the functioning of the Interinstitutional Agreement and the financial framework by the end of 2009 on the basis of a report which the Commission unilaterally undertook to present, accompanied where necessary by proposals. It did fell that the figures adopted in June 2005 would have enabled a better financing of European policies. (Please refer to INI/2004/2209.) The principal point of the IIA is the increase of EUR 4 billion for policies agreed by the European Council of December 2005. This represents 26 cents per citizen per day. Parliament also welcomed the decision of the European Council to invite the Commission to undertake a wide-ranging review of all aspects of EU spending and resources. It insisted that, as the budgetary partner of the Council, it intended to participate in this review with the aim of reaching agreement on a new, comprehensive financial system which is fair, buoyant, progressive and transparent and which equipped the Union with the ability to match its aspirations with own resources rather than contributions by the Member States. It welcomed the agreement reached, and in particular the progress achieved under the three pillars of its negotiating position:

## **Matching political priorities and financial needs through:**

- an increase of EUR 4 billion for policies agreed by the European Council of December 2005, to be directly allocated to programmes in Headings 1a, 1b, 2, 3b and 4,
- a substantial increase in the EIB reserve of EUR 2,5 billion to be made available by the Member States under a new scheme of co-financing between the EIB and the EU Budget with a view to reinforcing the leverage effect of the EU budget in the areas of Research and Development, TENs and SMEs up to a total of EUR 60 billion,
- the financing of non-programmed needs such as the Emergency Aid Reserve (EUR 1,5 billion) and the EU Solidarity Fund (up to EUR 7 billion) outside the financial framework by supplementary resources called from the Member States, if needed,
- the financing of the European Globalisation Adjustment Fund (up to EUR 3,5 billion) by re-use of cancelled appropriations, outside the financial framework;

### **Improving the budget structure by more flexibility through:**

- maintenance of an overall amount of EUR 1,4 billion for flexibility over the period, financed, in case of utilisation, by supplementary resources to be called from the Member States, with the possibility to carry over the annual amount (EUR 200 million) in case of non-utilisation to the next two years and a new possibility to use the instrument for the same needs for more than one year,
- the possibility for the newly elected Parliament to assess the functioning of the Interinstitutional Agreement and the financial framework by the end of 2009 on the basis of a report which the Commission unilaterally undertook to present, accompanied where necessary by proposals;

### **Improving the quality of implementation of EU funding and preserving Parliament's prerogatives through:**

- inclusion of principles of proportionality and user-friendly procedures in the revised Financial Regulation, the responsibility of Member States in shared management activities for a better internal control of EU funding, the requirement to introduce a co-financing mechanism with the EIB to reinforce the leverage effect of EU policies, the involvement of Parliament in the financial programming and the financing of new agencies without prejudicing operational programmes,
- the full participation of Parliament in the wide-ranging review, an increased participation of Parliament in the CFSP decision-making process and more democratic scrutiny in external actions;

**Deficiencies in the IIA:** Parliament was nevertheless aware of the fact that a number of deficits are still unresolved in the outcome of the negotiations. These deficits should be addressed in the 2008-2009 review and, where possible, in the course of the annual budgetary procedures. In particular the system of own resources as well as the expenditure side needed to be reformed urgently in order to avoid the same painful experience of national bargaining for the next financial framework.

Parliament confirmed its opinion that all future financial frameworks should be established for a period of five years compatible with the mandates of the Parliament and the Commission.

It recalled that it would be necessary to introduce secure transitional arrangements in the event that the Constitutional Treaty comes into force before the end of the new financial framework. Parliament expected the reforms set down in the next Interinstitutional Agreement to have a rapid effect on the qualitative implementation of the Budget, including the reduction of the administrative burden, as well as a visible impact for European citizens by facilitating their access to EU funding.

**Rejection of the accord reached by the European Council in December 2005:** Parliament confirmed its position, as laid down in its resolution of 8 June 2005, remained the objective which would guarantee an optimal level of funding and further reforms in order to fulfil the ambitions of the European Union. Parliament was determined to achieve a sustainable multi-annual financial framework reflecting adequate means for policy requirements for the years to come and appropriate instruments and reforms to improve implementation. Implementation of the multi-annual programmes to their full amounts is conditional upon an accurately timed conclusion of the Interinstitutional Agreement and the financial framework. Parliament was the only institution which developed an overall strategy and carried out a complete and in-depth analysis of the needs in order to identify political priorities compared to the Council's approach based on ceilings and percentages. For the first time since the Financial Perspective came into existence, Parliament has carried out over eight months of deliberations within a temporary committee set up for this purpose and adopted a comprehensive negotiating position.

**Formal approval of the IAA :** following the vote in Plenary, the representatives of the 3 institutions: President Josep BORRELL FONTELLES for the Parliament, the Austrian Chancellor

Wolfgang SCHÜSSEL for the Council and Commissioner Dalia GRYBAUSKAIT, representing the Commission in the absence of President José Manuel BARROSO, proceeded to the official signature of the IIA. It should be noted that the Parliament approved a second report by the Constitutional Affairs Committee which examines the provisions of the IIA against the Treaties and texts currently in force. Parliament did suggest some matters for improvement. (Please see the summary of resolution by Sérgio **SOUSA PINTO** (PES, PT) adopted by 418 votes for, 187 against and 15 abstentions: ACI/2006/2028).