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

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

INTERINSTITUTIONAL AGREEMENT ON THE FINANCIAL PERSPECTIVES 2007-2013

The new interinstitutional agreement (IIA) will enter into force on 1 January 2007, replacing an existing agreement dating from May 1999. It is based on the consensus reached by the European Council on 16 December 2005 on the EU's budgetary framework for the 2007-2013 period (see Council document 15915 /05).

Main issues of the agreement are as follows:

Level of spending (IIA): Parliament and Council reached agreement on a budgetary framework providing for EU spending of up to **EUR 864 billion over the 2007-13 period**. Although the new overall ceiling is only EUR 2 billion higher than that in the European Council's December agreement, the agreement with Parliament in fact allows for **an increase in expenditure of EUR 4 billion**. This is achieved by removing from the financial framework a EUR 1.5 billion emergency aid reserve (see below) and establishing it outside the framework, and by reducing the heading for administrative expenditure by EUR 500 million.

- 2007 : EUR 120,702 million;
- 2008 : EUR 121,473 million;
- 2009 : EUR 122,564 million;
- 2010 : EUR 122,952 million;
- 2011 : EUR 124,007 million;
- 2012 : EUR 125,527 million;
- 2013 : EUR 127,091 million.

Flexibility in the allocation of spending (IIA): four spending reserves outside the financial framework are provided for:

- **Flexibility instrument:** with an annual ceiling of EUR 200 million, the instrument enables the financing of clearly identified expenditure that cannot be financed under the budget ceilings;
- **Solidarity fund:** funded up to EUR 1 billion annually, the EU solidarity fund, created in 2002 in order to provide rapid assistance in the event of major disasters in the member states, is incorporated into the new IIA;
- **Globalisation fund:** the Commission has made a proposal for the creation of a fund, as agreed by the European Council in December, to assist workers made redundant as a result of major structural changes in world trade as regards retraining and their efforts to find new jobs. The fund

will be financed up to EUR 500 million annually through under-spends in the budget ceilings and /or decommitted funds;

§ **Emergency aid reserve:** the reserve, which allows rapid response to the needs of third countries following unforeseen events, will be financed up to EUR 221 million annually. It is essentially for humanitarian operations, though also civil crisis management and protection where required.

Review in 2008-09 (joint declaration): Parliament, Council and Commission agreed on a declaration on the subject of the review provided for by the European Council's agreement in December. This concerns essentially how the Parliament will be associated with the review.

Other issues:

§ Control of funds (IIA): Parliament, Council and Commission agreed on the importance of ensuring effective and integrated internal control of EU funds;

§ Implementation (IIA and joint declaration): the Parliament and the Council commit themselves to concluding negotiations, on the basis of a proposal from the Commission, so as to enable a new financial regulation to enter into force, if possible on 1 January 2007. The aim is to improve implementation of the budget, to ensure sound financial management and to increase the visibility of spending, whilst simplifying funding procedures and ensuring the protection of the EU's financial interests;

§ New financial instruments (joint declaration): the Commission is requested to make proposals, in cooperation with the European Investment Bank and in accordance with the European Council's December conclusions, to enable an increase in the EIB's capacity for research and development loans up to EUR 10 billion for the 2007-13 period. It is also requested to make proposals to reinforce instruments in favour of trans-European networks and small and medium-sized enterprises;

§ External relations (joint declaration): the three institutions acknowledge the need for rationalising the various instruments for external relations, without affecting the powers of Parliament or Council in either the legislative or budgetary fields.