2007 budget: section III, Commission

2006/2018(BUD) - 15/06/2006

PURPOSE : to present the Commission's preliminary draft budget (PDB) for 2007 (Section III-Commission).

CONTENT : this PDB 2007 is the first of the new multi-annual financial framework which will guide EU finances up to 2013 with many new programmes set to be launched in 2007. At the same time the PDB is a further step on the road to achieving the strategic objectives established by this Commission at the start of its mandate:

1. prosperity,
2. solidarity,
3. security;
4. external projection

The total Preliminary Draft Budget (PDB) for 2007 amounts to **EUR 126.8 billionin commitment appropriations.** This represents 1.08 % of Community GNI, and is an increase of 4.6 % on the 2006 budget. **Payment appropriations** are proposed at **EUR 116.4 billion**, or 0.99 % of GNI. This represents an increase of 3.9 % on 2006.

A margin of EUR 1.6 billion remains available under the ceiling of the new financial framework.

The Commission states that the overriding objective for the EU is growth, providing more and better jobs in Europe. The renewed Lisbon Strategy has given new clarity and focus to this objective, and this is reflected in the revised budgetary structure, and in the increased resources which will be devoted to it over the period of this financial framework.

For PDB 2007, out of a total of EUR 126,8 billion in commitment appropriations, **EUR 54.3 billion will be spent on policies related to growth and employment (new heading 1** of the multiannual financial framework), an increase of 14,3 % on the 2006 budget.

MAIN BUDGETARY CHARACTERISTICS BY HEADING : the following presentation is structured according to the new budget headings created by the new financial framework 2007-2013 :

Heading 1 : Sustainable growth : this new heading is split into two sub-headings :

§ **1.a Competitiveness for growth and employment** : This sub-heading encompasses the key policies in achieving the **Lisbon Strategy**. The new **Competitiveness and Innovation Programme (CIP)** is shared between policy areas Economic and Financial Affairs, Enterprise, Environment, Information Society, and Energy and Transport. Also under Energy and Transport are the Trans-European Networks (TENs) (+18%), Marco Polo II and GALILEO. The **7**th **Research Framework Programme** (+3%)is a key element of this sub-heading, as is **Lifelong Learning** (+30%). Other actions contributing to the goals of competitiveness, growth and employment are social policy, internal market, statistics, the fight against fraud, and taxation and the customs union. Commitments for **Competitiveness for Growth and Employment (sub-heading 1a)** increase by 11.5 % to EUR 8 796,1 million, leaving a margin of EUR 121,9 million. Payments, however, see a decrease of 6.5 % to EUR 6 943,5 million.

- **1.b Cohesion for growth and employment** : Heading 1b of the financial framework covers the **Structural Funds** i.e., the European Regional Development Fund (ERDF) and the European Social Fund (ESF), and the **Cohesion Fund**. Budget lines for the pre-2007 programmes for the European Agricultural Guidance and Guarantee Fund (EAGGF) — Guidance section and the Financial Instrument for Fisheries Guidance (FIFG) are now found under Heading 2. Commitments for the Structural and Cohesion Funds increase by 15 %, and there is full participation by all Member States. For this sub-headingcommitments are set at the level of the ceiling, i.e. EUR 45 486,6 million, which is an increase of 14.8 % on 2006. Payments also rise, by 19.1 %, to EUR 37 790,3 million. For sub-heading 1b the overall payments budget comprises 4 components — advance payments relating to the commitments under the new financial framework; reimbursements to clear RAL for the 2000-2006 Structural Fund programmes; a residual amount to clear remaining RAL for the pre-2000 programmes; and payments for the Cohesion Fund.

For **Heading 1**, the total commitment appropriations is set at EUR **54.3 billion** an increase of EUR 6.8 billion compared to the 2006 budget which was EUR 47.5 billion.

Heading2 : Preservation and management of natural resources : for the 2007 budget the Commission proposes budgeting EUR 57 217,6 million for heading 2, of which EUR 43 684 million is for **agricultural expenditure** (market related expenditure and direct payments) and EUR 12 371,4 million is for **rural development**. Furthermore, of the total amount for heading 2, EUR 887.6 million is foreseen for **fisheries** , and EUR 240.6 million for **environment**. This leaves a margin of EUR 1 133,4 million under the ceiling of the financial framework for 2007-2013. The commitment appropriations proposed for the 2007 budget constitute an increase of 1.2 %, or EUR 667 million, compared to the 2006 budget.

Heading 3 : Citizenship, freedom, security and justice : this new heading shall be allocated EUR 1.174 billion in commitments. It shall be broken down into 2 sub headings:

- **Heading 3.a : Freedom, security and justice :** The year 2007 will see the launch of three new framework programmes in the field of Freedom, Security and Justice: **Fundamental Rights and Justice, Security and Safeguarding Liberties**, and **Solidarity and Management of Migration**. These will group together smaller instruments and a series of pilot projects and preparatory actions. However, the overall objective of fulfilling the **Hague Action Plan** remains the prime focus until 2009, and the new framework programmes are aimed at the continued achievement of its ten priorities. This sub heading shall be allocated EUR 571.3 million in 2007.

- **Heading 3.b : Citizenship:** this sub-heading covers issues of key concern to the citizens of Europe, including **health and consumer protection**, and **rapid response and preparedness for major emergencies**. The crucial task of reaching out to the citizens and communicating Europe also fall within this category, through the funding of **cultural programmes** and the policy area **Communication. Institution-building** in Bulgaria and Romania is also financed under sub-heading 3b for EUR 87 million in PDB 2007.

Heading 4 : the EU has a role to play as a global partner: the new budgetary structure provides for six instruments, three with a defined geographical coverage to implement particular policies (pre-accession, neighbourhood, development and economic cooperation), and three designed as horizontal instruments to respond to particular needs (humanitarian aid, stability, macro-financial assistance). For PDB 2007 commitment appropriations amount to EUR 6.7 billion, and payments to EUR 7.5 billion. This is a reduction compared to 2006, but the difference is easily explained for commitments by the fact that Bulgaria and Romania are expected to join the Union in 2007, and so their pre-accession aid is phased out.

Heading 5 : Administration : lastly, EUR 7 billion (5.5% of the budget – the same share as in 2006), has been earmarked for **administration** costs (heading 5), including new posts necessary for past and the expected enlargement (Bulgaria/Romania) of the EU. In 2007, the evolution of posts is again strongly influenced by the needs of enlargement. In total 853 posts are requested by the Commission, complemented by 50 external staff. Added together, this request represents an increase of 4 % in the Commission staff (640 for the Commission alone).