2007 budget: section III, Commission

2006/2018(BUD) - 17/07/2006 - Council draft budget

The Council adopted, by qualified majority, the draft general budget of the European Communities for the financial year 2007. The Council used the preliminary draft budget of the European Communities for 2007, submitted by the Commission, as the basis for establishing the draft budget (refer to the summary dated 15.06.2006).

Under the draft budget established by the Council amounts to:

- **EUR 125 755 695 132 in commitment appropriations;**

- **EUR 114 612 819 366 in payment appropriations.**

Commitment appropriations have increase by 3.68% compared to the 2006 budget and payment appropriations by 2.26%.

The preliminary draft general budget (PDB) of the European Communities for 2007, as amended to take into account the final figures for estimates for institutions other than the Commission, forwarded to the Council by the Commission, comprises budget estimates totalling:

- EUR 126 776.05 million in appropriations for commitments (4.52% increase compared to 2006);

- EUR 116 370.05 million in appropriations for payments (3.83% increase with amending budgets 1 and 2/2006).

The draft budget shows that the rate of increase in non-compulsory expenditure (NCE) for the 2007 draft budget is 7.36% in commitment appropriations and 5.67% in payment appropriations.

The total payment appropriations provided for in the draft budget correspond **to 0.98% of Community GNI.**

A. Generally: the draft budget shows due regard to the Interinstitutional Agreements and takes into account the Council's conclusions on the budget guidelines for 2007. Particular care was taken to:

- apply budgetary discipline to all parts of the budget;

- provide adequate funding for the effective and efficient implementation of the European Union's various priorities, on the basis of well-defined needs and taking into account absorption capacities and past implementation rate;

- ensure limited and controlled growth of payment appropriations in comparison to 2006, taking into account the implementation rate of the past years;

- leave adequate margins below the ceilings for the Headings of the Financial Framework, except for sub-Heading 1b, for the purpose of sound financial management and to deal with unforeseen circumstances.

The establishment of the draft budget was, moreover, guided by the following principles:

- applying the key principle of assessing the well-defined and real needs to be financed in 2007;

- detailed analysis of the needs in all policy areas;

- figures deriving from a bottom-up approach and not fixed in advance;

- examination of guidelines for Pilot Projects and Preparatory Actions and inclusion of specific Pilot Projects, in accordance with the Interinstitutional Agreement;

- approach regarding administrative expenditure based on targeted measures and objective elements such as vacancy rates and past implementation;

- ensuring limited and controlled growth of appropriations for decentralised agencies by applying different criteria linked to their state of development ("settled agencies": budget 2006 - "growing

agencies ": budget 2006 +5% - "new agencies ": 75% of the increase between the 2006 budget and the 2007 PDB);

- taking into account the in-depth examination by delegations of a set of "activity statements" covering the whole range of political areas (ABB) by retaining specific reductions under some budget lines, based on the outcome of this examination (-2% or -3% of the PDB requests);

- examination in the autumn, as provided for in the Interinstitutional Agreement, of an Amending Letter concerning agricultural expenditure and International Fisheries Agreements, in order to take account of the updated estimates of requirements, without immediately ruling out a limited reduction in appropriations in these fields.

Regarding the nomenclature proposed in the PDB, the Council decided to modify certain headings (in particular Chapter 19 03 - CFSP and 19 06) and, as in the past, not to retain the European Development Fund (EDF).

B. Expenditure by heading of the financial framework:as to expenditure under the different Headings of the Financial Framework the Council decided to:

Heading 1 “Sustainable development”:

Sub-heading 1a) “Competitiveness for growth and employment”: the amount under this heading is set at **EUR 8 782 328 511.** This envelope is characterised by the following elements:

- set a level of commitment appropriations allowing an effective and efficient implementation of the competitiveness policy;

- include appropriations for the Community contribution to the International Fund for Ireland for an amount of EUR 15 million to be put into the reserve pending the adoption of the legal basis;

- agree on the inclusion of two Pilot Projects on the "knowledge triangle" and on "energy security-biofuel" for a total amount of EUR 10 million;

- ensure that pilot projects and preparatory actions are feasible and consistent with the EU's new priority actions and to examine their practical application. Specific areas for priority actions are the following:- Investment in knowledge and innovation; Business potential, especially of SMEs; Employment of priority categories; Energy Policy for Europe";

- limit the increase in appropriations in comparison to 2006 for subsidies for decentralised agencies (- EUR 8.78 million) and to reduce appropriations requested in the PDB under some budget lines following an examination of the relevant activity statements (- EUR 29 million);

- set the level of payment appropriations by reducing the amounts requested in the PDB under the relevant budget lines by a total amount of EUR 175.96 million, in line with absorption capacities and past implementation rate;

- set the margin available under sub-Heading 1a at EUR 135.67 million.

Sub-heading 1b) "Cohesion for growth and employment": the Council foresees an amount of E**UR 45 486 558 504.** It aims to:

- accept the PDB as regards commitment appropriations;

- set the level of payment appropriations by reducing the amounts requested in the PDB by a total amount of EUR 425 million under the budget lines related to the completion of the 2000-2006 programmes (- EUR 355 million) and the programmes prior to 2000 (- EUR 70 million), taking into account the current trend of completion of these programmes;

- set the margin available under sub-Heading 1b at EUR 440 000.

As regards payment appropriations, the Council asks the Commission to submit an amending budget if the appropriations entered in the 2007 budget are insufficient to cover expenditure under this sub-Heading.

In the context of advance payments 2007-2013, the Council attaches the greatest importance to a rapid approval by the Commission of the operational programmes and projects presented by Member States in relation with the new Structural and Cohesion Funds programmes for the 2007-2013 period. In order to avoid the past experience during the beginning of the 2000-2006 programming period, the Council will monitor rigorously and on a regular basis the process of approval of operational programmes and projects.

Heading 2 "Preservation and management of natural resources": the amount for this heading is set at **EUR 56 471 146 036.** The Council aims to:

- retain specific reductions in commitment and payment appropriations requested in the PDB for a total amount of EUR 365 million under the budget lines related to refunds for milk/super levy (- EUR 150 million), accounting clearance (- EUR 205 million) and programmes for deprived persons (- EUR 10 million);

- retain a limited reduction in commitment and payment appropriations requested in the PDB by an amount of EUR 365 million under all budget lines of Chapter 05 02 (Interventions in agricultural markets) except the above-mentioned budget lines on which specific reductions were already retained;

- retain a reduction in commitment and payment appropriations requested in the PDB for International fisheries agreements for an amount of EUR 10 million in the reserve, bearing in mind uncertainties regarding the conclusion of new agreements or the renewal of current agreements;

- limit the increase in appropriations in comparison to 2006 for subsidies for decentralised agencies (- EUR 1.3 million in c/a and p/a) and to reduce appropriations requested in the PDB under some budget lines following an examination of the relevant activity statements (- EUR 5.13 million in c/a and - EUR 4.27 million in p/a);

- set the final level of payment appropriations by reducing, in addition to the above-mentioned reductions in payment appropriations under this Heading, the amounts requested in the PDB under the relevant budget lines by a total amount of EUR 42.00 million, in line with absorption capacities;

- set the margin available under Heading 2 at EUR 1 879.85 million (the margin under market related expenditure is EUR 1 798.99 million).

Heading 3 "Expenditure relating to citizenship, freedom, security and justice": the amount set for this heading is **EUR 1 148 340 000.**

3a) "Freedom, security and justice": the Council aims to:

- retain an increase in appropriations requested in the PDB for the External Borders Fund for an amount of EUR 7.70 million bearing in mind its political importance;

- limit the increase in appropriations requested in the PDB for the Visa Information System by a reduction of EUR 7 million, taking into account absorption capacities;

- limit the increase in appropriations in comparison to 2006 for subsidies for decentralised agencies (- EUR 9.18 million), taking into account the specific situation of the "Frontex" Agency, and to reduce appropriations requested in the PDB under some budget lines following an examination of the relevant activity statements (- EUR 1.16 million);

- set the level of payment appropriations by reducing the amounts requested in the PDB under the relevant budget lines for a total amount of EUR 26.84 million, in line with absorption capacities and past implementation rate;

- set the margin available under sub-Heading 3a at EUR 75.30 million.

3b) "Citizenship": the Council aims to:

- retain a reduction in appropriations requested in the PDB under Chapter 16 03 ("Going local" communication) for a total amount of EUR 4 million;

- limit the increase in appropriations in comparison to 2006 for subsidies for decentralised agencies (- EUR 9.43 million), taking into account the specific situation of the Food Safety Authority, and to reduce appropriations requested in the PDB under some budget lines following an examination of the relevant activity statements (- EUR 2.98 million);

- set the level of payment appropriations by reducing the amounts requested in the PDB under the relevant budget lines for a total amount of EUR 31.59 million, in line with absorption capacities and past implementation rate;

- set the margin available under sub-Heading 3b at EUR 49.36 million.

Heading 4 "EU as a global partner": the Council foresees a total amount of **EUR 6 592 866 000.** It has also decided to:

- retain an increase in appropriations requested in the PDB for a total amount of EUR 20 million for Cross-border cooperation (+ EUR 3 million) and Iraq (+ EUR 17 million), bearing in mind their political importance;

- retain specific reductions in appropriations requested in the PDB:

§ for a total amount of EUR 30 million for Macroeconomic assistance (- EUR 20 million) and Food aid (- EUR 10 million) taking into account past implementation rate;

§ for a total amount of EUR 30 million for transition and institution building assistance to candidate countries taking into account absorption capacities;

§ for a total amount of EUR 18 million under relevant budget lines in relation with expenditure in administrative management, taking into account the high amounts requested in the PDB;

- retain, in order to achieve sufficient margin for unforeseen events, a limited reduction of 2% in appropriations requested in the PDB for some geographical programmes and the Sugar protocol, leading to a global reduction of EUR 46.30 million;

- accept the amount as proposed in the PDB for CFSP budget and to modify the nomenclature of Chapter 19 03 (Common Foreign and Security Policy) and adapt the relevant comments in accordance with the provisions of the new Interinstitutional Agreement (IIA) and to change the title of Chapter 19 06 (Crisis response and global threats to security and adaptation) and the relevant comments;

- limit the increase in appropriations in comparison to 2006 for subsidies for decentralised agencies (- EUR 0.25 million) and to reduce appropriations requested in the PDB under some budget lines following an examination of the relevant activity statement (- EUR 5.11 million);

- set the level of payment appropriations by reducing the amounts requested in the PDB under the relevant budget lines for a total amount of EUR 185.95 million in line with absorption capacities and

past implementation rate;

- set the margin available under Heading 4 at EUR 219.66 million.

Heading 5 "Administration": the draft budget aims to:

- set an appropriate level for the administrative budget of each institution taking into account their own specificities and their real and justified needs;

- apply targeted reductions by limiting requested increases to 2% in comparison to 2006 for some types of expenditure such as Information Technology services and by retaining specific decreases on some other individual budget lines taking into account real needs;

- apply a differentiated rate of reduction on current expenditure related to productivity gains and the impact of interinstitutional cooperation (between 1.5% to 2.5% taking into account the past implementation in 2004 and 2005) on budget lines which have not been subject to specific reductions;

- increase the standard flat rate abatement on salaries for most institutions, taking into account their current vacancy rate;

- accept all new posts requested in relation to the accession of Romania and Bulgaria;

- accept all new posts requested in relation to translation into Irish;

- accept all new posts requested in relation to the 2004 enlargement, and putting appropriations for the new AST posts for the Commission in reserve to be released following proof of significant progress in the recruitment on posts related to the 2004 enlargement that were granted in the previous year. As regards recruitment in relation with the 2004 enlargement, the Council notes with great concern the lack of

progress made in this area and calls on EPSO to ensure that the recruitment process is sufficiently and speedily carried forward at every stage in order to occupy the posts granted;

- set the margin available under Heading 5 at EUR 285.19 million to respect the IIA and in the interest of sound financial management.

Heading 6"Compensations": the Council sets an amount of **EUR 444 646 152.** It accepts the PDB and sets the margin available under this Heading at EUR 35 000 million.

Heading 7"Revenue": the Council accepts the PDB and the Letter of Amendment No 1/2006, subject to the technical adjustments arising from the changes made to expenditure and staff in the draft budget.