

## Basic information

**2004/2099(ACI)**

ACI - Interinstitutional agreement procedure

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

Repealed by [2011/2152\(ACI\)](#)

Amended by [2011/2080\(ACI\)](#)

Amended by [2013/2055\(ACI\)](#)

### Subject

8.40.10 Interinstitutional relations, subsidiarity, proportionality, comitology

8.70 Budget of the Union

8.70.40 Basic budgetary texts

Procedure completed

## Key players

European Parliament	Committee responsible		Rapporteur	Appointed
	<b>BUDG</b>	Budgets	BÖGE Reimer (PPE-DE)	20/09/2004
	Committee for opinion		Rapporteur for opinion	Appointed
	<b>AFET</b>	Foreign Affairs	VON WOGAU Karl (PPE-DE)	13/09/2004
	<b>DEVE</b>	Development	KINNOCK Glenys (PSE)	25/01/2006
	<b>INTA</b>	International Trade	The committee decided not to give an opinion.	15/11/2004
	<b>CONT</b>	Budgetary Control	MULDER Jan (ALDE)	22/09/2004
	<b>ECON</b>	Economic and Monetary Affairs	The committee decided not to give an opinion.	
	<b>EMPL</b>	Employment and Social Affairs	The committee decided not to give an opinion.	
	<b>ENVI</b>	Environment, Public Health and Food Safety	The committee decided not to give an opinion.	27/09/2004
<b>ITRE</b>	Industry, Research and Energy	The committee decided not to give an opinion.	25/01/2006	

	<b>IMCO</b> Internal Market and Consumer Protection		The committee decided not to give an opinion.	
	<b>TRAN</b> Transport and Tourism		The committee decided not to give an opinion.	
	<b>REGI</b> Regional Development		KREHL Constanze (PSE)	06/10/2004
	<b>AGRI</b> Agriculture and Rural Development		BOURZAI Bernadette (PSE)	05/10/2004
	<b>PECH</b> Fisheries		MIGUÉLEZ RAMOS Rosa (PSE)	15/02/2006
	<b>CULT</b> Culture and Education		HIERONYMI Ruth (PPE-DE)	22/09/2004
	<b>JURI</b> Legal Affairs		The committee decided not to give an opinion.	
	<b>LIBE</b> Civil Liberties, Justice and Home Affairs		DEPREZ Gérard (ALDE)	25/10/2004
	<b>AFCO</b> Constitutional Affairs		The committee decided not to give an opinion.	
	<b>FEMM</b> Women's Rights and Gender Equality		The committee decided not to give an opinion.	
	<b>PETI</b> Petitions		The committee decided not to give an opinion.	
Council of the European Union	<b>Council configuration</b>	<b>Meetings</b>	<b>Date</b>	
	General Affairs	2727	2006-05-15	
	General Affairs	2711	2006-02-27	
European Commission	<b>Commission DG</b>	<b>Commissioner</b>		
	Budget			

<b>Key events</b>			

Date	Event	Reference	Summary
27/10/2005	Committee referral announced in Parliament		
01/02/2006	Non-legislative basic document published	COM(2006)0036 	Summary
27/02/2006	Debate in Council		Summary
24/04/2006	Vote in committee		Summary
27/04/2006	Committee report tabled for plenary	A6-0150/2006	
17/05/2006	Decision by Parliament	T6-0210/2006	
17/05/2006	Debate in Parliament		
17/05/2006	End of procedure in Parliament		
14/06/2006	Final act published in Official Journal		

Technical information	
Procedure reference	2004/2099(ACI)
Procedure type	ACI - Interinstitutional agreement procedure
Procedure subtype	Interinstitutional agreement
Amendments and repeals	Repealed by <a href="#">2011/2152(ACI)</a> Amended by <a href="#">2011/2080(ACI)</a> Amended by <a href="#">2013/2055(ACI)</a>
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/6/22765

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee opinion	<a href="#">CONT</a>	<a href="#">PE362.492</a>	05/10/2005	
Committee opinion	<a href="#">AGRI</a>	<a href="#">PE353.717</a>	23/02/2006	
Committee opinion	<a href="#">LIBE</a>	<a href="#">PE370.105</a>	24/02/2006	
Amendments tabled in committee		<a href="#">PE370.174</a>	28/02/2006	
Committee opinion	<a href="#">CULT</a>	<a href="#">PE371.743</a>	21/03/2006	
Committee opinion	<a href="#">AFET</a>	<a href="#">PE369.895</a>	22/03/2006	
Committee opinion	<a href="#">REGI</a>	<a href="#">PE367.881</a>	23/03/2006	
Committee draft report		<a href="#">PE372.062</a>	11/04/2006	
Committee opinion	<a href="#">PECH</a>	<a href="#">PE370.153</a>	19/04/2006	
Amendments tabled in committee		<a href="#">PE372.131</a>	19/04/2006	

Committee opinion	<a href="#">DEVE</a>	<a href="#">PE357.951</a>	<a href="#">24/04/2006</a>	
Committee report tabled for plenary, single reading		<a href="#">A6-0150/2006</a>	<a href="#">27/04/2006</a>	
Text adopted by Parliament, single reading		<a href="#">T6-0210/2006</a>	<a href="#">17/05/2006</a>	<a href="#">Summary</a>

#### European Commission

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	<a href="#">COM(2004)0498</a> 	<a href="#">14/07/2004</a>	<a href="#">Summary</a>
Non-legislative basic document	<a href="#">COM(2006)0036</a> 	<a href="#">01/02/2006</a>	<a href="#">Summary</a>
Document attached to the procedure	<a href="#">COM(2006)0075</a> 	<a href="#">15/02/2006</a>	<a href="#">Summary</a>
Follow-up document	<a href="#">COM(2006)0327</a> 	<a href="#">22/06/2006</a>	<a href="#">Summary</a>
Follow-up document	<a href="#">COM(2007)0208</a> 	<a href="#">24/04/2007</a>	<a href="#">Summary</a>
Follow-up document	<a href="#">COM(2010)0185</a> 	<a href="#">27/04/2010</a>	<a href="#">Summary</a>

#### Final act

Interinstitutional agreement 2006/0164(01) <a href="#">OJ C 139 14.06.2006, p. 0001-0017</a>	<a href="#">Summary</a>
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## 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.

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

2004/2099(ACI) - 01/02/2006 - Non-legislative basic document

**PURPOSE:** to present a revised version of the Interinstitutional agreement on budgetary discipline and the improvement of the budgetary procedure in light of the discussions on the 2007-2013 financial perspectives.

**CONTENT:** in 2004, the Commission presented a proposal on the renewal of the Interinstitutional agreement (IIA) on budgetary discipline and the improvement of the budgetary procedure for the period 2007-2013 (please refer to the summary dated 14/07/2004). Since then, the European Parliament has adopted a resolution on policy challenges and budgetary means of the enlarged Union 2007-2013 (see INI/2004/2209 dated 08/06/2005), followed by a political agreement by the Council on 1 December 2005 on the financial perspectives. In parallel, the European Parliament adopted a resolution on the European Council's position on the Financial Perspective and the renewal of the Interinstitutional agreement (see RSP/2006/2502).

The enclosed draft IIA is intended as a working paper for the last phase of the negotiations between the European Parliament, the Council and the Commission taking into account in particular the conclusions of the European Council of 15-16 December 2005.

The purpose of this IIA is to provide a set of agreed rules concerning the multiannual financial framework and the sequence of operations as regards the annual budgetary procedure.

**Maintaining the fundamentals :** given that the Budget of the European Union has been adopted on time each year, it is proposed that the IIA maintains its main features :

- expenditure is broken down by broad categories of expenditure called headings; for each year of the 2007-2013 period;

- maximum amounts called ceilings are established in the financial framework table for the period 2007-2013 in terms of appropriations for commitments and for each heading; expenditure levels are based on the assumption that Bulgaria and Romania join the EU on 1 January 2007; in case of their accession at a later date, the expenditure ceilings may have to be revised accordingly;
- overall annual amounts are expressed both for commitment appropriations and payment appropriations;
- the annual ceiling for payment appropriations must respect the own resources ceiling currently established at 1,24% of the EU gross national income (GNI).
- the present Interinstitutional Agreement proposes to replace the term 'financial perspective' with 'multiannual financial framework', also referred to as the 'financial framework';
- it proposes to insert a new provision whereby in 2008/2009 the Commission will present to the European Parliament and Council a wide-ranging review covering all aspects of EU spending and resources.

**Simplification, consolidation:** the present IIA provides for the renewal of the Interinstitutional Agreement of 6 May 1999 in the light of experience acquired with its implementation but also for the consolidation of all the joint declarations and interinstitutional agreements concluded on budgetary matters since 1982. It also proposes the simplification of the framework wherever justified and possible on the following issues:

- incorporating the Interinstitutional Agreement of 7 November 2002 on the creation of the European Union Solidarity Fund (EUSF), agreed upon during the current period of the financial perspective as a separate supplementary interinstitutional agreement. It is proposed that the EUSF maintains the current rules for its mobilisation whereby, when the Fund is mobilised, corresponding expenditure be 'entered in the budget over and above the relevant headings' in the financial framework;

- simplification of the method for the technical adjustment, by extending the predetermined 2% annual inflation rate used for structural funds and agriculture, to the rest of expenditure;

- the provisioning of the guarantee fund for loans to third countries is rationalised so that there is no longer any need for a 'reserve' to this end. The related (reduced) expenditure to be budgeted becomes part of the instruments available for the Union's external policy.

**Flexibility:** flexibility within the agreed multiannual financial framework is the essential corollary to financial discipline. If properly designed, it contributes to enhancing effective resources allocation while allowing responding to unforeseen needs or new priorities. Several parameters influence the degree of flexibility of the financial framework: the length of the period covered by the financial perspective; the number of expenditure headings; the margins available within each expenditure ceiling; the margin below the own resources ceiling; the share of EU spending pre-determined by 'amounts of reference' in co-decided legislation; preallocated multiannual programmes; the general attitude towards using the revision procedure.

On 15-16 December 2005, the European Council reached a political agreement which entails expenditure ceilings significantly lower than those proposed by the Commission. Tighter expenditure ceilings entail more rigidity in the financial framework and risks undermining the Union's ability to address future challenges and hinder rather than encouraging effective resource allocation. That is why the Commission proposes the following measures to address future challenges and find the proper balance between budgetary discipline and efficient resources allocation:

- the revision of the multiannual financial framework remains the main instrument to respond to significant changes of permanent character in the EU policies in a fast developing context;
- the mobilisation of some flexibility instruments within the limits of the agreed financial framework, in view of facilitating the deployment or redeployment of financial resources within the expenditure ceilings. These include the following:
  1. the Emergency Aid reserve within Heading 4 to respond to emergency situations in third countries. Its amount and mobilisation procedure remain unchanged;
  2. a new European Globalisation Adjustment Fund intended to provide additional support for workers who suffer the consequences of major structural changes in world trade patterns, to assist them with their reintegration into the labour market;
  3. the possibility for the budgetary authority based on a Commission proposal, in the framework of the annual budgetary procedure, to depart by up to 10% from the so-called 'reference amounts' concerning multiannual programmes adopted under the co-decision procedure (except for cohesion programmes).
- the mobilisation of other instruments above the agreed expenditure ceilings within certain limits. These instruments, to be used in the framework of the annual budget procedure according to the relevant provisions defined in the enclosed draft IIA, include:
  1. the European Union Solidarity Fund, with unchanged amount and mobilisation procedure;
  2. the Flexibility Instrument, whose maximum annual amount is increased to EUR 700 million, with the possibility to cover requirements of multiannual nature. The mobilisation procedure remains unchanged.

**Consequence for the Regulation on budgetary discipline :** the experience with the 2000-2006 financial perspective has shown that there is no longer any need for maintaining the agricultural guideline foreseen in Council Regulation 2040/2000/EC on budgetary discipline, since agriculture expenditure is already constrained by ceilings agreed till 2013. With the shift from market intervention towards direct payments to farmers and rural development measures agriculture expenditure has also become more predictable. Under these conditions, the Commission considers that Council Regulation 2040 /2000/EC should be repealed. The Commission will accordingly propose separately the appropriate legal act in due time.

**Guidelines on interinstitutional collaboration for the budgetary procedure:** provisions included in Part II aim at improving the annual budgetary procedure. Most of these provisions result from budgetary practice or previous agreements and declarations. They have been updated in relation with the new financial regulation:

- structure and classification of expenditure: Annex III provides an update of the classification of expenditure between compulsory and non-compulsory expenditure for the new structure by heading;
- financial provisions in legislative instruments: the principle set out in the Joint Declaration of 6 March 1995 whereby the institutions undertake to comply during the budgetary procedure with the reference amounts adopted in the legislative codecision procedure, is maintained. However, the codecision procedure has been regularly extended since 1995 and the strict provisions as regards reference amounts impose

increasing constraints for budgetary policy. The Commission proposes that the budgetary authority and the Commission, in the course of the annual budgetary procedure, can depart from these amounts by a limited margin (10%).

**Conclusion:** the IIA has proved an efficient tool to frame the annual budgetary practice within an agreed multiannual financial framework. Its renewal should be taken as an opportunity to update and simplify the various existing agreements and joint declarations concerning budgetary matters. Finally, this agreement should aim at finding the proper balance between budgetary discipline and efficient resources allocation.

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

2004/2099(ACI) - 15/02/2006 - Document attached to the procedure

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.

## 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 feel 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 GRYBAUSKAITĖ, 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).

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

2004/2099(ACI) - 15/05/2006

### INTERINSTITUTIONAL AGREEMENT ON THE FINANCIAL PERSPECTIVES 2007-2013

The Council approved, without discussion, the Interinstitutional Agreement with the European Parliament and the Council on the 2007-2013 budget discipline. In doing so, the Council endorses the agreement reached on 4 April 2006 with representatives of the European Parliament on the EU's budgetary framework for the 2007-2013 period, together with a number of provisions on budgetary discipline and improvement of the EU's annual budgetary procedure.

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:

**1. 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.

The EUR 4 billion extra spending is allocated as follows:

**Heading 1A:** EUR 2.1 billion, of which:

- § lifelong learning (Erasmus and Leonardo programmes) EUR 800 million;
- § trans-European networks (energy, transport, telecommunications) EUR 500 million;
- § competitiveness and innovation, EUR 400 million;
- § research and technological development (7th framework programme), EUR 300 million;
- § social policy agenda (Progress programme), EUR 100 million.

**Heading 1B:** EUR 300 million, for territorial cooperation.

**Heading 2:** EUR 100 million for future actions (Life + and Natura 2000 programmes).

**Heading 3B:** EUR 500 million, of which:

- § culture, youth, Citizens for Europe, EUR 300 million;
- § health and consumer protection, EUR 200 million.

**Heading 4:** EUR 1 billion, of which:

- § common foreign and security policy, EUR 800 million;
- § European neighbourhood and partnership instrument, EUR 200 million.

**2. 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.

**3. 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.

#### 4. 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.

Lastly, it should be noted that this agreement should be formally approved by the institutions on the 17<sup>th</sup> May 2006 at the European Parliament plenary session in Strasbourg.

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

2004/2099(ACI) - 27/02/2006

The Council was briefed by the presidency on progress in negotiations with the European Parliament on a proposal for renewal of an agreement between the EU institutions on budgetary discipline and improvement of the EU's annual budgetary procedure. It held a brief exchange of views and agreed to take stock at its meeting on 20 and 21 March 2006.

The Commission's proposal, whilst maintaining the main features of the current inter-institutional agreement (IIA), is aimed at updating and simplifying various agreements and joint declarations on budgetary matters. It takes account of the agreement reached by the European Council on 16 December on the EU's budgetary framework for the 2007-13 period.

At a meeting on 21 February, representatives of Parliament, Council and Commission examined the proposals and agreed to continue work with a view to reaching agreement on the IIA and the new budgetary framework in April.

A further "trilogue" meeting is scheduled for 21 March.

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

2004/2099(ACI) - 27/04/2010

The European Commission presents a report on the functioning of the Interinstitutional Agreement on budgetary discipline and sound financial management for 2007-2013 (IIA).

To recall, the IIA is a political agreement between the European Parliament, the Council and the Commission. It contains many provisions and principles that have proven to be helpful and even necessary to ensure budgetary discipline and smooth budgetary procedures. The IIA affects numerous aspects of the planning, preparation, execution and control of the budget.

This report presents a **thorough examination of the functioning of the current IIA** and concerns the following issues:

- procedures implementing the Multiannual Financial Framework (MFF), in particular the adjustments and revisions;
- flexibility (margins and instruments of flexibility);
- provisions related to the institutional collaboration during the budgetary procedure;
- issues related to the sound financial management of EU funds (Statements of Assurance, financial programming and the new financial instruments).

The report does not claim to be exhaustive. A number of important issues related to interinstitutional collaboration are not examined here. And many important aspects of the budget reform are left to the 'full, wide-ranging review' of the EU budget pursuant to Declaration 3 to the IIA.

It should be noted that the Treaty of Lisbon introduces or gives new emphasis to many policy areas that may in the longer term require corresponding budgetary changes. But this will first require the preparation of new legal acts and a careful assessment of their potential financial impact.

**Main conclusions:** the IIA has proved invaluable in facilitating budgetary discipline and ensuring a smooth budgetary procedure. Overall, the track record of this instrument and, in particular, of the Multiannual Financial Framework (MFF) can be regarded as **quite positive**.

At the same time, this report has highlighted that **adjustments to the current MFF** and the IIA **totalling a gross amount of EUR 8.4 billion** have already been required in the first half of this MFF, and that the remaining margin for manoeuvre is now severely limited. This raises questions as to **whether the Union will be adequately equipped for new challenges and rapidly evolving circumstances in the second half of this MFF**. Concerns along these lines have already been expressed by the European Parliament in its [Report](#) on the Mid-Term Review of the 2007-2013 Financial Framework. Furthermore, the Europe [2020 strategy](#) makes it clear that more can and must be done to deliver smart, sustainable and inclusive growth and to create new jobs.

#### Heading by heading analysis

- under **heading 1A**, a number of issues are emerging, for which the exact additional financial needs still have to be determined (for example on ITER). Given the extremely limited margin, the potential amounts at stake decisively exceed amounts anticipated to remain unspent /uncommitted under the current ceiling of heading 1A and there is no budgetary room for new initiatives;
- regarding **heading 4**, the current foreseeable margins are very limited and may not be sufficient to deal with future demands. In particular, the consequences of recurring international crises and the potentially important impact of the 2013 climate change financing needs to be considered carefully.

Depending on the size of additional requirements in headings 1A and 4 and the nature (one-off vs. permanent) of additional needs, a number of options could be envisaged:

- redeployment within the heading concerned for limited amounts;
- mobilisation of the Flexibility instrument could play a role;
- revision of the ceiling of the heading concerned may need to be necessary if the amounts required are substantial and permanent, which could be the case for either ITER or climate change financing in 2013. Such a revision could either take the form of a **compensation mechanism offsetting the increase in one heading by the decrease in another or**, if necessary, a **net increase of the overall ceiling of the 2007-2013 MFF**.

Other financing possibilities outside the scope of the IIA such as EIB loans or intergovernmental financing could be examined as well.

In view of the very limited margins, it is clear that more flexibility will be needed to cope with the potential budgetary impact of new developments. On the basis of the abovementioned options, the Commission will make proposals as soon as the budgetary impact of the pending issues mentioned in this report has been sufficiently clarified.

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

2004/2099(ACI) - 14/07/2004 - Supplementary non-legislative basic document

PURPOSE : to renew the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure.

PROPOSED ACT : Renewal of the Interinstitutional Agreement.

CONTENT : The purpose of this Interinstitutional Agreement is to provide a set of agreed rules concerning the management of the multiannual financial framework and the sequence of operations as

regards the annual budgetary procedure.

Agenda 2000 successfully fulfilled its main purposes as regards financial discipline, the orderly evolution of expenditure and interinstitutional collaboration during the budgetary procedure. The Budget of the European Union has been adopted on time each year, and the two arms of the budgetary authority have jointly adjusted Agenda 2000 to face supplementary financial requirements linked to the enlargement to ten new member States. The Interinstitutional agreement therefore proposes to maintain unchanged the main features of the financial framework:

- expenditure is broken down by broad categories of expenditure called headings for each year of the 2007-2013 period;
- maximum amounts called ceilings are established in the financial framework table for the period 2007-2013 in terms of appropriations for commitments and for each heading;

- overall annual amounts are expressed both for commitment appropriations and payment appropriations;

- the annual ceiling for payment appropriations must respect the own resources ceiling currently established at 1.24 % of the EU gross national income (GNI).

The Interinstitutional Agreement also provides for the consolidation of all the joint declarations and interinstitutional agreements concluded on budgetary matters since 1982. In particular, it aims to incorporate the Interinstitutional Agreement of 7 November 2002 on the creation of the European Union Solidarity Fund (EUSF), agreed upon during the current period of the financial perspective. It is proposed that the EUSF develops into a European Solidarity and Rapid Reaction instrument.

In the perspective of future institutional developments, it is proposed to replace the term 'financial perspective' with 'multiannual financial framework', also referred to as the 'financial framework'.

On the question of the flexibility instrument, the Commission states that the actual use of the instrument of flexibility reveals a departure from its original purposes which risks weakening the credibility of the system and undermining the interinstitutional collaboration on budgetary matters. The

Commission considers that more transparent instruments fully integrated in the financial framework would reinforce budgetary discipline.

The Commission proposes certain measures to address future challenges and find the proper balance between budgetary discipline and efficient resources allocation:

- the procedure to revise expenditure ceilings should be given its original role as the main instrument to allow adjustments to the financial framework when substantial and lasting changes in political priorities occur. The Commission proposes a regular review of needs, e.g. in the form of a triologue meeting between Parliament, Council and the Commission ahead of the presentation of each preliminary draft budget;

- the intensive use of the flexibility instrument during Agenda 2000 shows its creation was justified. However, this instrument does no longer fulfil its original purposes and, to a large extent, has been used as an indirect means to raise the ceiling for external actions. Such a departure from its original purposes risks weakening the credibility of the system and undermining the interinstitutional collaboration on budgetary matters.

Therefore the Commission proposes a new reallocation flexibility, replacing the existing 'flexibility instrument', which would allow the budgetary authority on a Commission proposal to re-allocate appropriations between expenditure headings within certain limits and within the overall ceilings.

- the creation of a growth adjustment fund is proposed to adjust the financial framework to economic environment. The growth adjustment fund can be mobilized up to EUR 1 billion within the "competitiveness for growth and employment" expenditure heading (1a). This amount may be increased by unused appropriations from the Structural instruments, when the situation allows, in application of the N+2 rule, up to a maximum of EUR 1 billion per year;

- the proposed new classification of expenditure is also going to enhance flexibility and the effective allocation of resources by avoiding unnecessary ringfencing. The structure of expenditure in Agenda 2000 is to a large extent the legacy of the establishment of the first financial perspective and its successors. It is structured in 8 expenditure headings, which become 11 when taking sub-headings into account. Ring fencing of resources in a large number of headings and sub-headings makes the system

rigid and can prevent proper adjustment and a more effective use of resources to achieve the Union's policy goals, thus hindering the ultimate goal to have budgetary means at the service of a policy objective.

For the 2007-2013 financial framework, the Commission proposes five main expenditure headings which appear in the financial framework table. The European Solidarity and Rapid Reaction Instrument will be included within the financial framework for budgetary discipline and transparency purposes.

- Consequence for the Regulation on budgetary discipline: the experience with the 2000-2006 financial perspective has shown that there is no longer any need for maintaining the agricultural guideline foreseen in Council Regulation no. 2040/2000 on budgetary discipline, since agriculture expenditure is already constrained by ceilings agreed till 2013. The other provisions concerning budget discipline for agriculture will be overtaken and reinforced by the proposed new Regulation on the financing of the common agricultural policy (Please see CNS/2004/0164). The Commission considers that Council Regulation 2040/2000/EC should be repealed.

- Guidelines on interinstitutional collaboration for the budgetary procedure: provisions included in Part II aim at improving the annual budgetary procedure. Most of these provisions result from budgetary practice or previous agreements and declarations. They have been updated in relation with the new financial regulation.

- Annex III provides an update of the classification of expenditure between compulsory and non-compulsory expenditure for the new structure by heading. A provision is maintained so that the two arms of the budgetary authority determine the classification of new budget items within the annual conciliation procedure.

- The principle whereby the institutions undertake to comply during the budgetary procedure with the reference amounts adopted in the legislative codecision procedure, is maintained. However, the codecision procedure has been regularly extended since 1995 and the strict provisions as regards reference amounts impose increasing constraints for budgetary policy. The Commission therefore proposes that the budgetary authority and the Commission, when drawing up its preliminary draft budget, are given a margin of manoeuvre through the possibility to depart from these amounts by a limited margin (5%).

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

2004/2099(ACI) - 24/04/2007

PURPOSE: to present the technical adjustment of the financial framework for 2008.

CONTENT: the Interinstitutional Agreement (IIA) of 17 May 2006 on budgetary discipline and sound financial management contains the financial framework table for EU-27 for the period 2007-2013, expressed in 2004 prices.

Point 16 of the Interinstitutional Agreement states that **each year** the Commission will, ahead of the budgetary procedure for year n+1, make a technical adjustment to the financial framework in line with movements in the EU's gross national income (GNI) and prices. Movements in GNI have been updated with the latest economic forecasts available.

As far as prices are concerned, the IIA (point 16) now foresees a fixed 2 % deflator for all expenditure, which was already applied for the technical adjustment for 2007. Thus no modification on prices is made in the present adjustment, since expenditure ceilings at current prices for the whole period 2007-2013 are already available since last year.

The purpose of this communication is to present to the budgetary authority the result of the technical adjustment (EU-27) for 2008.

According to the latest forecast available, the **GNI for 2008** is established at EUR 12.454 billion in current prices for EU-27 (and at EUR 11.941 billion for 2007). For subsequent years (2009-2013) the EU-27 GNI has been calculated on the basis of internal Commission projections for the annual average growth rate in real terms. These projections are indicative and will be updated annually on the basis of the latest economic forecasts available.

## The main results of the technical adjustment of the Financial Framework for 2008 (EU-27):

- the overall ceiling on commitment appropriations for 2008 (EUR 131.487 million) equals **1.06 %** of GNI.
- the corresponding overall ceiling concerning the payment appropriations (EUR 129.481 million) equals **1.04 %** of GNI.

On the basis of the latest economic forecasts, this leaves a margin beneath the 1.24 % own resources ceiling of **EUR 24.949 million** (0.20 % of GNI for EU-27).

**Heading 5 (Administration):** in the case of heading 5, a footnote to the financial framework states that the figures for pensions included under the ceiling for this heading are to be calculated net of staff contributions to the pension scheme, up to a maximum of EUR 500 million (2004 prices) for the period 2007-2013. This provision should be interpreted as imposing a dual limit on the amounts deducted from expenditure on pensions when applying the ceiling of the heading:

- this amount may not exceed the contributions actually entered as budget revenue in any one year;
- the accumulated total of deductions for the period 2007-2013 may not exceed EUR 500 million at 2004 prices, equivalent to an average of EUR 71.4 million (EUR 77.3 million at 2008 prices).

The recurrent nature of administrative expenditure imposes that the lowest limit is adopted annually to avoid using a margin at the start of the period which would no longer be fully available afterwards. For 2008 the amount to be deducted is **EUR 77.3 million** at current prices.

It should be noted that a number of **instruments are available outside expenditure ceilings** agreed in the financial framework 2007-2013. These instruments aim at providing rapid response to exceptional or unforeseen events, and provide some flexibility beyond the agreed expenditure ceilings within certain limits:

- the Emergency Aid reserve, which can be mobilised up to a maximum amount of EUR 221 million per year in 2004 prices, or EUR 239.2 million in 2008 at current prices (EUR 1.744 million for the whole period in current prices);
- the EU Solidarity Fund, whose maximum annual amount in current prices is EUR 1 billion;
- the Flexibility Instrument, with a maximum annual amount in current prices of EUR 200 million, plus the portion of the unused annual amounts of the years 2005, 2006 and 2007, which may be carried over to year 2008.

In addition, it will be possible to mobilise the European Globalisation Adjustment Fund (EGF) up to a maximum of EUR 500 million per year in current prices by drawing from any margin existing under the global ceiling for commitment appropriations of the previous year, and/or from cancelled commitments from the previous two years (excluding those related to heading 1b). For the year 2008 the conditions are met to enter the EUR 500 million provision in the budget.

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

2004/2099(ACI) - 22/06/2006

PURPOSE: to present the technical adjustment of the financial framework for 2007

in line with movements in GNI and prices.

CONTENT: the Interinstitutional Agreement (IIA) of 17 May 2006 on budgetary discipline and sound financial management contains the financial framework table for EU-27 for the period 2007-2013, expressed in 2004 prices.

Point 16 of the Interinstitutional Agreement states that **each year** the Commission will make a technical adjustment to the financial framework in line with movements in the EU's gross national income (GNI) and prices. Movements in GNI have been updated with the latest economic forecasts available.

As far as prices are concerned, the IIA (point 16) now foresees a fixed 2 % deflator for all expenditure, already applied for the 2007 technical adjustment. It is therefore possible at this stage to calculate the expenditure ceilings at current prices for the whole period 2007-2013. The purpose of this communication is to present to the budgetary authority the result of this technical adjustment (EU-27) for **2007**.

**Adjustment of expenditure ceilings by heading for the year 2007:** the adjustment is calculated by applying a fixed annual deflator of 2 % to the commitment appropriations in the financial framework (at 2004 prices). The resulting cumulative deflator for the period 2004-2007 amounts to 6.1208 %. To ensure consistency with the allocations of expenditure between the beneficiary Member States, the overall figure for Sub-heading 1B 'Cohesion for growth and employment' in 2007 prices has been rounded up to the superior unit.

As regards payments, the global ceiling has been adjusted by applying the same deflator (6.1208 %) used for commitment appropriations.

**Total figure for GNI:** according to the latest forecasts available, the GNI for 2007 is established at € 11.566 billion in current prices for EU-25 and € 128 billion in current prices for Bulgaria and Romania. For subsequent years (2008-2013) the EU-27 GNI has been calculated on the basis of the long-term projections for the annual average growth rate (2.3 % in real terms for the EU-27) used in the negotiations on the financial framework 2007-2013, and on the same fixed annual inflation rate of 2 % as agreed in Point 16 of the IIA. These projections are indicative and will be updated annually on the basis of the latest economic forecasts available.

#### **Main results of the technical adjustment of the Financial Framework for 2007 (EU-27):**

- the overall ceiling on appropriations for commitments for 2007 comes to € 128.091 million, equal to **1.10 %** of GNI;
- The corresponding overall ceiling concerning the appropriations for payments comes to € 123.790 million, i.e. **1.06 %** of GNI.

On the basis of the latest economic forecasts, this leaves a margin beneath the 1.24 % own resources ceiling of **€ 21.219 million** (0.18 % of GNI for EU-27).

**Heading 5 (Administration):** in the case of heading 5, a footnote to the financial framework states that the figures for pensions included under the ceiling for this heading are to be calculated net of staff contributions to the pension scheme, up to a maximum of € 500 million (2004 prices) for the period 2007-2013. This provision should be interpreted as imposing a dual limit on the amounts deducted from expenditure on pensions when applying the ceiling of the heading:

- this amount may not exceed the contributions actually entered as budget revenue in any one year;
- the accumulated total of deductions for the period 2007-2013 may not exceed € 500 million at 2004 prices, equivalent to an average of € 71.4 million (€ 75.8million at 2007 prices).

The recurrent nature of administrative expenditure imposes that the lowest limit is adopted annually to avoid using a margin at the start of the period which would no longer be fully available afterwards. For 2007 – the first year of the period – the amount to be deducted is the lowest amount, i.e. € 75.8 million at current prices for 2007.

**Expenditure items outside the financial framework 2007-2013:** a number of instruments are available outside expenditure ceilings agreed in the financial framework 2007-2013. These instruments aim at providing rapid response to exceptional or unforeseen events, and provide some flexibility beyond the agreed expenditure ceilings within certain limits:

- the Emergency Aid reserve, which can be mobilised up to a maximum amount of € 221 million per year in 2004 prices, or € 234.5 million in 2007 at current prices (€ 1744 million for the whole period in current prices);
- the EU Solidarity Fund, whose maximum annual amount in current prices is € 1 billion;
- the Flexibility Instrument, with a maximum annual amount in current prices of € 200 million, plus the portion of the unused annual amounts of the years 2005 and 2006, which may be carried over to year 2007.

In addition, it will be possible to mobilise the European Globalisation Adjustment Fund (EGF) up to a maximum of € 500 million per year in current prices by drawing from any margin existing under the global ceiling for commitment appropriations of the previous year, and/or from cancelled commitments from the previous two years (excluding those related to heading 1b). For the year 2007 the conditions are met to enter the € 500 million provision in the budget.