Basic information

2005/2001(BUD) BUD - Budgetary procedure	Procedure completed
2006 budget: Section III, Commission **Subject** 8.70.60 Previous annual budgets	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	DOMBROVSKIS Valdis (PPE-DE) PITTELLA Gianni (PSE)	06/12/2004 06/12/2004

Former committee responsible	Former rapporteur	Appointed
BUDG Budgets	PITTELLA Gianni (PSE)	06/12/2004

Former committee for opinion	Former rapporteur for opinion	Appointed
AFET Foreign Affairs	DE KEYSER Véronique (PSE)	04/04/2005
DEVE Development	DEVA Nirj (PPE-DE)	02/12/2004
INTA International Trade	MARTIN David (PSE)	14/03/2005
CONT Budgetary Control	HEATON-HARRIS Christopher (PPE-DE)	16/03/2005
ECON Economic and Monetary Affairs	GUY-QUINT Catherine (PSE)	07/03/2005
EMPL Employment and Social Affairs	MADEIRA Jamila (PSE)	31/03/2005
ENVI Environment, Public Health and Food Safety	HAUG Jutta (PSE)	20/04/2005

ITRE	Industry, Research and Energy	GUIDONI Umberto (GUE /NGL)	25/01/2005
IMCO	Internal Market and Consumer Protection	MUSCAT Joseph (PSE)	15/03/2005
TRAN	Transport and Tourism	LIBERADZKI Bogusław (PSE)	05/04/2005
REGI	Regional Development	KREHL Constanze (PSE)	14/03/2005
AGRI	Agriculture and Rural Development	BATZELI Katerina (PSE)	20/01/2005
PECH	Fisheries	MULDER Jan (ALDE)	30/03/2005
CULT	Culture and Education	TRÜPEL Helga (Verts/ALE)	14/03/2005
JURI	Legal Affairs	The committee decided not to give an opinion.	
LIBE	Civil Liberties, Justice and Home Affairs	DEPREZ Gérard (ALDE)	06/06/2005
AFCO	Constitutional Affairs	STUBB Alexander (PPE-DE)	20/04/2005
FEMM	Women's Rights and Gender Equality	BATZELI Katerina (PSE)	13/04/2005
PETI	Petitions	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2646	2005-03-08
Economic and Financial Affairs ECOFIN	2673	2005-07-15
Economic and Financial Affairs ECOFIN	2693	2005-11-24

European Commission

Commission DG	Commissioner
Budget	

Key events

Date	Event	Reference	Summary
08/03/2005	Resolution/conclusions adopted by Council		Summary
27/04/2005	Commission preliminary draft budget published	COM(2005)0300	
15/07/2005	Council draft budget published	11186/2005	Summary
29/09/2005	Committee referral announced in Parliament		
13/10/2005	Vote in committee		Summary
18/10/2005	Budgetary report tabled for plenary	A6-0309/2005	
26/10/2005	Debate in Parliament		
27/10/2005	Decision by Parliament	T6-0409/2005	Summary
27/10/2005	Results of vote in Parliament		
24/11/2005	Debate in Council		Summary
01/12/2005	Amended budget adopted by Council		
01/12/2005	Debate/examination by Council scheduled	14864/2005	Summary
05/12/2005	Vote in committee, 2nd reading		Summary
06/12/2005	Budgetary report tabled for plenary, 2nd reading	A6-0396/2005	
13/12/2005	Debate in Parliament		
15/12/2005	Decision by Parliament, 2nd reading	T6-0514/2005	Summary
15/12/2005	Results of vote in Parliament		
15/12/2005	Committee referral announced in Parliament, 2nd reading		
15/12/2005	End of procedure in Parliament		
15/03/2006	Final act published in Official Journal		

Technical information

Procedure reference	2005/2001(BUD)
Procedure type	BUD - Budgetary procedure
Procedure subtype	Budget
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/6/32195

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary

Committee opinion	TRAN	PE359.881	12/09/2005	
Committee opinion	FEMM	PE360.253	12/09/2005	
Committee opinion	INTA	PE362.422	12/09/2005	
Committee opinion	ITRE	PE360.025	14/09/2005	
Committee opinion	EMPL	PE360.041	14/09/2005	
Committee opinion	CULT	PE360.063	14/09/2005	
Committee opinion	REGI	PE360.175	14/09/2005	
Committee opinion	AFET	PE360.281	14/09/2005	
Committee opinion	AGRI	PE360.361	14/09/2005	
Committee opinion	ENVI	PE360.071	15/09/2005	
Committee opinion	PECH	PE360.165	15/09/2005	
Committee opinion	AFCO	PE360.211	15/09/2005	
Committee opinion	ECON	PE362.585	15/09/2005	
Committee opinion	LIBE	PE360.231	16/09/2005	
Committee opinion	CONT	PE360.351	06/10/2005	
Committee opinion	DEVE	PE362.593	06/10/2005	
Amendments tabled in committee		PE364.678	11/10/2005	
Committee opinion	IMCO	PE364.707	13/10/2005	
Budgetary report tabled for plenary, 1st reading		A6-0309/2005	18/10/2005	
Budgetary text adopted by Parliament		T6-0409/2005 OJ C 272 09.11.2006, p. 0452-0555 E	27/10/2005	Summary
Amendments tabled in committee		PE365.119	01/12/2005	
Budgetary report tabled for plenary, 2nd reading		A6-0396/2005	06/12/2005	
Final budget adopted by Parliament		T6-0514/2005	15/12/2005	Summary

Council of the EU

Document type	Reference	Date	Summary
Council draft budget	11186/2005	15/07/2005	Summary
Amending/supplementary letter on draft budget	14862/2005	01/12/2005	Summary
Amending/supplementary letter on draft budget	14863/2005	01/12/2005	Summary
Council amended draft budget	14864/2005	01/12/2005	Summary
Amending/supplementary letter on draft budget	15379/2005	07/12/2005	Summary

European Commission

Document type	Reference	Date	Summary

Commission preliminary draft budget	COM(2005)0300	27/04/2005	Summary
Document attached to the procedure	SEC(2005)0552	29/04/2005	Summary
Document attached to the procedure	SEC(2005)1269	19/10/2005	Summary
Document attached to the procedure	SEC(2005)1379	26/10/2005	Summary
Document attached to the procedure	SEC(2005)1607	01/12/2005	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Budget 2006/0179
OJ L 078 15.03.2006, p. 0001-1547 Summary

2006 budget: Section III, Commission

2005/2001(BUD) - 19/10/2005 - Document attached to the procedure

This Amending Letter contains the following elements:

– the mobilisation of new funds for an amount of EUR 40 million in commitment appropriations and EUR 21.2 million in payment appropriations, to support the accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime during 2006.

The EU sugar reform, with its proposed price cuts, may have a significant impact with broad socioeconomic consequences, and may lead to adjustment needs, in ACP countries that are signatories to the Sugar Protocol, and which have been relying on preferential sugar exports to the EU, in most cases since 1975. Therefore, the Commission committed itself to offering both trade measures and development assistance to help the Sugar Protocol countries to adapt. The trade measures are being established in negotiations on the Economic Partnership Agreements. The development assistance was the subject of the Commission's proposal for a regulation establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime. (Please see COM(2005)0266). That regulation will supply the legal basis for delivering assistance in 2006. In order to maximise chances of a successful transition, it is essential to facilitate opportunities for the Sugar Protocol countries to anticipate as much as possible the impact of the sugar reform, which is proposed to be implemented as early as July 2006. Restructuring and reconversion can best mitigate the likely impact of the reform if they succeed in preventingmajor disruptions of the level of economic activity.

Considering the complexity of the restructuring and diversification processes to be undertaken in the Sugar Protocol countries, the assistance scheme is to cover a relatively long term. The Commission has proposed eight years. Actions under the regulation will thus continue beyond 2006, and they will be covered by the "Development Cooperation and Economic Cooperation Instrument". In the event that this instrument does not enter into force on 1 January 2007, an extension of the regulation will be enacted.

The countries to be covered by the scheme are the 18 ACP countries that are signatories to the Sugar Protocol, and export sugar at present to the EU. In terms of areas of support, the range should cover the needs of countries which will aim to upgrade the competitiveness of their sugar sector, as well as of those for which the adaptation process requires diversifying into alternative economic activities, around or instead of the sugar sector.

In terms of budget, the sugar reform creates specific, new challenges to Sugar Protocol countries, which require additional support for their adaptation process. In 2006, the total budget for the assistance scheme needs to allow the Sugar Protocol countries to undertake priority investment and programmes in the framework of the

above-mentioned adaptation strategy. The budget will be divided amongst the countries according to their different needs, which depend in particular on the impact of the sugar reform on their sugar industry, and on the importance of sugar in their economy. A limited amount should also be reserved to ensure adequate administrative capacity to manage the assistance scheme effectively.

The global amount needed (EUR 40 000 000 in 2006) is split in two components: expenditure on administrative management (EUR 1 200 000) and operational expenditure (EUR 38 800 000). These amounts will be included under items 31 01 40 and 31 02 41 01 of the chapter 31 02 "Reserves for financial interventions".

Lastly, the ceiling for Heading 4 in 2006 is already exceeded by EUR 123.5 million. The additional recourse to the flexibility instrument for EUR 40 million will result in a negative margin totalling

EUR 163.5 million.

2006 budget: Section III, Commission

2005/2001(BUD) - 01/12/2005 - Council amended draft budget

On 1 December 2005, after having deliberated with the Commission, the Council of the European Union carried out a second reading of the draft general budget of the European Communities for 2006 in accordance with Article 272(5) of the EC Treaty.

The Council held its customary meeting with a delegation from the European Parliament on 24 November 2005, led by Mr Janusz LEWANDOWSKI, Chairman of the Committee on Budgets, and including Mr Reimer BÖGE (Vice-Chairman), Mr Jan MULDER (Vice-Chairman), Mr Giovanni PITTELLA, Rapporteur for Section III (Commission) of the budget for 2006 and Mr Valdis DOMBROVSKIS , Rapporteur for the other Sections of the budget for 2006.

Despite major progress in bringing positions closer together, mainly on the establishment of the level of payment appropriations and the use of the flexibility instrument, representatives of the two institutions were unable to reach total agreement at their meeting of 24 November 2005.

Main results of the Council's second reading of the Draft Budget for 2006:

In assessing the outcome of the Parliament's first reading of the Draft Budget for 2006, the Council was guided by the following principles:

- it ensured compliance with the annual expenditure ceilings set by the Financial Perspective (meaning no recourse to the flexibility instrument);
- it adopted a limited and controlled growth of the volume of payment appropriations by maintaining the agreed level of payment appropriations of the Council first reading, taking into account in particular the constraints upon national budgets;
- it ensured compliance with the relevant provisions regarding the placing of appropriations in reserve, the classification of expenditure, legal bases, preparatory measures and pilot programmes; in this context, it restated the Council's opposition to the European Parliament using conditional reserves in breach of the Financial Regulation;
- it also restored the first reading of the Draft Budget for Articles 21 03 01 to 21 03 16 related to EDF, since the inclusion of funding, or even just a budgetary structure to cover it, would not have the necessary legal basis and would therefore not be justified. It also constitutes, by its very nature, compulsory expenditure.

The main results of the Council's discussions at second reading, Amending Letters Nos. 1 and 2 included are as follows:

1) with regard to **CAP** expenditure (sub-Heading 1a of the Financial Perspective), to fully approve Amending Letter No. 2 to the Preliminary Draft Budget for 2006. It also reinstated the amounts proposed in the Preliminary Draft Budget for budget lines which had been reduced during the first reading of the budget, and which are not affected by Amending Letter No. 2/2006;

2) to maintain the Draft Budget established by the Council with regard to rural development expenditure (sub-Heading 1b of the Financial Perspective);

3) to maintain the Draft Budget established by the Council with regard to **structural operations** (Heading 2 of the Financial Perspective);

4) to accept in part amendments relating to **internal policies** (Heading 3 of the Financial Perspective) taking into account their nature (Special events), the update of co-decided amount (SME) or the level needed for payment appropriations (Research) and to maintain the Draft Budget established by the Council for other budget lines. It did also accept the study included in Amending Letter No. 2 to the Preliminary draft Budget for 2006;

5) regarding **external actions** (Heading 4 of the Financial Perspective), to maintain the Draft Budget established by the Council. It also accepted Amending Letter No. 1 to the Preliminary Draft Budget for 2006 regarding the consequences of the Sugar reform in the ACP countries;

6) with regard to **administrative expenditure** (Heading 5 of the Financial Perspective), to accept in part an amendment for the Commission budget by reducing the standard abatement on salaries taking into account the current level of recruitment and to maintain the Draft Budget established by the Council for the other budget lines. It also maintained the Draft Budget established by the Council for the other institutions apart from amendments to the European Parliament's own budget section which were accepted ("Gentlemen's Agreement").

7) to maintain the Draft Budget established by the Council with regard to **pre-accession aid** (Heading 7 of the Financial Perspectives).

Main expenditures by budget heading:

The draft budget as drawn up on the basis of a total level of payment appropriations of **EUR 111 422** million (the equivalent of **1,01% of GNI**) and **EUR 120 653 million** in commitment appropriations.

On this basis, the amounts approved by the Council in second reading are as follows (in payment appropriations only):

- **Heading 1 : Agriculture** : EUR 50 991 million broken down into :

  1a. Market expenditure: EUR 43 279 million

  1b. Rural development: EUR 7 711 million

- **Heading 2 : Structural operations :** EUR 35 489 million
- **Heading 3 : Internal policies** : EUR 8 504 million
- **Heading 4 : External actions** : EUR 5 296 million
- **Heading 5 : Administration** : EUR 6 584 million
- **Heading 7 : Pre-accession aid** : EUR 3 025 million.

2006 budget: Section III, Commission

2005/2001(BUD) - 01/12/2005 - Document attached to the procedure

PURPOSE : to draw up an Amending Letter No. 3 to the Preliminary Draft Budget for 2006 in order to reduce the level of payment appropriations for 2006.

CONTENT : due to exceptional circumstances, arising in the context of the negotiations on the 2006 budget procedure, the Commission proposes a reduction to the level of payment appropriations in the preliminary draft budget (including amending letters 1/2006 and 2/2006) of EUR 257 million. This is to facilitate an agreement between the two arms of the budgetary authority, who have concurred that they can accept a total level of payment appropriations of EUR 111 969 million (equal to 1.01% of GNI).

Careful analysis of the possible areas, where reductions could be made without having an adverse effect on the budget for 2006, has led to the following proposals:

- A reduction under Heading 4 of payment appropriations by EUR 70 million.
- A reduction under Heading 7 of payment appropriations by EUR 187 million.

The revised amount for payment appropriations is deemed sufficient to cover the obligations of the year.

2006 budget: Section III, Commission

2005/2001(BUD) - 01/12/2005 - Amending/supplementary letter on draft budget

PURPOSE : approval by the Council of amending letter No. 2 to the draft budget for 2006.

CONTENT : On 26 October 2005, the Commission forwarded to the Council Amending Letter No. 2 to the Preliminary Draft Budget for the financial year 2006. In accordance with the provisions of the Interinstitutional Agreement of 6 May 1999, the Commission has made a new estimate of agricultural expenditure as compared with the Preliminary Draft Budget for 2006. The new estimates drawn up by the Commission take account of the situation on the various agricultural markets as well as trends in agricultural legislation. They also take account of the impact of updating the euro/dollar exchange rate recorded during the third quarter, which goes down from 1.31 in the PDB to 1.22 (EUR 1 = $ 1.22) and results in economies compared to the Preliminary Draft Budget for export sectors, in particular for cereals, sugar and cotton.

The new assessment leads to lower overall needs than estimated in the PDB (- EUR 362 million). The savings result mainly from decreased needs in the sectors of milk and milk products (- EUR 285 million), sugar (- EUR 122 million), cereals (- EUR 136 million), beef and veal sector (- EUR 80 million) and cotton (- EUR 28 million).

However, these savings have been partly offset by increased needs for other sectors, notably products of the wine-growing sector (+ EUR 165 million), fruit and vegetables (+ EUR 110 million) and food programmes (+ EUR 48 million).

In addition, the Amending Letter proposes a pilot project introducing a security fund in the sector of fruits and vegetables, a study in the forestry sector, and an amendment to the budgetary remark covering item 17 04 02.

On 1 December 2005, the Council established Amending Letter No. 2 to the Draft Budget for the financial year 2006 as fully proposed by the Commission and as set out in the technical annex to the Council’s draft budget.

2006 budget: Section III, Commission

2005/2001(BUD) - 07/12/2005 - Amending/supplementary letter on draft budget

At the conciliation meeting as finalised at the Trialogue on 30 November 2005, an agreement was reached between the European Parliament, the Council and the Commission regarding the 2006 budget as follows:

1) to accept Amending Letter No. 1/2006 concerning the consequences of the Sugar Reform in ACP countries;

2) to accept Amending Letter No. 2/2006 concerning agriculture expenditure;

3) to accept Amending Letter No. 3/2006 concerning payment appropriations;

4) to accept the **mobilisation of the flexibility instrument** for an amount of **EUR 275 million under Heading 4** of which:

- EUR 95 million for the reconstruction in countries affected by the Tsunami;
- EUR 100 million for the reconstruction in Iraq;
- EUR 40 million for the consequences of the Sugar reform in ACP countries; and
- EUR 40 million for the CFSP.

5) to fix the amount of the **CFSP budget at EUR 102.6 million** for 2006, with a breakdown of the additional amount of EUR 40 million compared to the PDB as follows:

- 19 03 01 - Conflict prevention and crisis management 0
- 19 03 02 - Non-proliferation and disarmament +2
- 19 03 03 - Conflict resolution, verification, support for the peace process and stabilisation +20
- 19 03 04 - Emergency measures +16.5
- 19 03 05 - Preparatory and follow-up measures 0
- 19 03 06 - European Union Special Representatives +1.5

6) to finance the PEACE II programme in 2006 as proposed in the Preliminary Draft Budget;

7) to accept to enter in the 2006 budget commitment appropriations exceeding the financial framework of the following co-decided programmes for a total additional amount within the existing ceiling of Headings 3 and 5 of EUR 100 million:

- for SMEs (EUR 28.5 million),
- for Socrates (EUR 33 million),
- for LIFE (EUR 7.075 million),
- for Youth (EUR 9.2 million),
- for Research (EUR 21.225 million) and
- for Cultural organisations (EUR 1 million).

8) to accept Preliminary Draft Amending Budget No. 8/2005 as amended by the Commission (see BUD/2005/2179);

9) the total amount for payment appropriations decided at the end of the 2006 budgetary procedure in December shall not exceed **EUR 111.969 billion**.

A series of common declarations was also approved which may be summarized as follows:

- The European Parliament and the Council remain fully committed to the existing Joint Declaration on CFSP, as adopted at the budget conciliation of November 2002 and the subsequent exchange of letters of 5 December 2003 and their full implementation. They confirm that, as of 2006, participation in joint meetings (to take place at least quarterly in order to provide timely information on both the recent and forthcoming developments and their budgetary implications) shall be defined as follows: for the European Parliament, Members, and for the Council, Ambassador (the Chairman of the Political and Security Committee).

- The European Parliament and the Council invite the Commission to take the appropriate measures for the relevant transfers, as soon as possible in 2006, in order to put into effect this agreement reached on CFSP and co-decided programmes.

- as in 2005, if the execution of payment appropriations for the Structural Funds exceeds 40% by the end of July 2006, or if the Commission becomes otherwise convinced of a shortage in payment appropriations in the budget, it will, after having examined the possibilities of redeployment of payment appropriations within the totality of the budget, including Heading 2, and evaluated possible sources of additional revenue, present a PDAB to the budgetary authority at the latest by October. The European Parliament and the Council will decide in one single reading on the PDAB in order to have additional appropriations needed available at the latest in early November 2006.

It should be noted in the context of that agreement, the Commission presented, on 1 December 2005, Amending Letter No. 3 to the Preliminary Draft Budget for 2006 relating to a reduction of the level of payment appropriations in the Preliminary Draft Budget (including AL Nos. 1 and 2/2006) of **EUR 257 million** under Headings 4 and 7. This reduction is broken down as follows:

1) a reduction under Heading 4 of payment appropriations by **EUR 70 million** on the following budget lines:

- 01 03 02 02 - Macrofinancial assistance for the countries of the Western Balkans - EUR 15 million
- 19 06 01 - TACIS - EUR 20 million
- 19 08 02 01 - MEDA - EUR 20 million
- 19 10 01 - Asia - EUR 15 million

2) a reduction under Heading 7 of payment appropriations by **EUR 187 million** on the following budget lines:

- 05 05 01 01 - SAPARD - EUR 50 million

- 13 05 01 01 - ISPA - EUR 27 million

- 22 02 01 - Pre-accession assistance for countries of central and eastern Europe - EUR 80 million

- 22 02 04 01 - Pre-accession assistance Turkey - EUR 30 million

On 7 December 2005, the Council established Amending Letter No. 3 to the Draft Budget for the financial year 2006 as proposed by the Commission.

2006 budget: Section III, Commission

2005/2001(BUD) - 15/07/2005 - Council draft budget

Following its first reading, the Council adopted the preliminary draft budget (PDB) for the 2006 financial year. The aggregate expenditure figures of the 2006 budget are:

- EUR 120 809.60 for commitment appropriations and

- EUR 111 421.36 for commitment payments

Under the draft budget established by the Council, commitment appropriations increase by 3.70% compared to the 2005 budget and payment appropriations by 4.88%.

To recall, the rectified PDB (which takes account of the final figures for all of the institutions other than the Commission) adds up to:

- EUR 121 288.04 million commitment appropriations c/a (+ 4.11% compared to 2005) and

- EUR 112 567.05 million for payments appropriations c/p (+ 5.95% compared to 2005).

According to the Council, the draft budget:

- Is compatible with the Inter-institutional Agreement of May 1999 on budgetary discipline and improvement of the budgetary procedure.

- Takes account of the Council conclusions on the budget guidelines for 2006 adopted in March 2006.

It takes particular care to:

- Apply budgetary discipline to all parts of the budget;

- Leave adequate margins below the ceilings for the Headings of the Financial Perspective, except for Heading 2, in order to cope with unforeseen situations.

- Provide adequate funding for the EU's various priorities.

- Offer a limited and controlled growth of payment appropriations in comparison with 2005, taking into account the implementation rate in the previous years and the foreseeable implementation rate.

- Confirms that the Copenhagen commitments have been taken on board.

- Takes account of the "activity statements" covering the whole range of political policies (ABB).

It was guided by the following principles:

- On agriculture, it was agreed to take account of updated requirement estimates – without the need to rule out a limited reduction in appropriations for agricultural expenditure.

- To honour the commitments written into the Financial Perspective for structural operations.

- On the matter of the level for payment appropriations, the Council has limited, slightly, the increase of payment appropriations, taking into account the implementation rate of previous years as well as the foreseeable implementation rate. The total increase for 2006 thus remains 9.5%.

- For *internal policies*, the Council has taken account of appropriations utilisation possibilities, bearing in mind the need to keep a margin below the heading of the Financial Perspective, which gives room for the EP to choose its own priorities. Concerning the level for payment appropriations the Council has opted to limit the increase even though an increase of 11.8% for RT&D is foreseen.

- For *external actions*, the Council has taken account of current priorities in this field. It has also taken account of maintaining a margin set below that of the Financial Perspective relating to finances set aside for the forthcoming reforms of the sugar market.

- For *administrative expenditure*, a margin has been set, which is below that of the Financial Perspective and which respects the framework for sound financial management.

- For *pre-accession aid*, the Council accepts the PDB for commitment appropriations. The level of payment appropriations has been limited to an increase, which takes account of previous years spending.

- For overall payment appropriations, the Council has taken account of the implementation rate over the past few years, the scale of utilisation, the likely rate of payments under outstanding commitments and constraints upon national budgets. Bearing all of this in mind, the Council has opted for an increase in payment appropriations of 7.8% for non-compulsory expenditure.

In terms of a heading-by-heading analysis, the following observations can be made:

a) in the case of agricultural spending (Heading 1), the Council agrees to retain an across-the-board reduction in commitment and payment appropriations requested in the PDB by an amount of EUR 150 million, where the appropriations are greater than EUR 50 million. The Council has set the margin available under Heading 1 at EUR 1 355.68

b) for structural operations (Heading 2), the Council accepts the PDB's proposed commitment appropriations and to retain an across-the-board reduction of EUR 150 million in Structural Fund payment appropriations (EUR 72 million) and Community initiatives (EUR 78 million). The margin is to be set at EUR 61.99 million.

c) for internal policies (Heading 3), the Council accepts the amounts proposed and has agreed to limit some budget line appropriations not based on multi-annual programmes. Thus, commitments are to be reduced by a total of EUR 21.05 million. This relates in particular to Commission prerogatives, pilot projects and preparatory actions. The Council also agrees to limit the increase of appropriations for subsidising some agencies through a total reduction equivalent to EUR 22.36 million.

d) for external actions (Heading 4) the Council agrees to retain an across-the-board reduction of 3.87% in commitments relating to various Chapters. Co-decided programmes such as CFSP, the Asian Tsunami and Iraq are excluded. A reduction of 2% has been applied to Afghanistan. Additionally, the Council accepts the amounts being proposed by the Commission for CFSP. The amounts proposed for International Fisheries Agreements have been reduced slightly. The margin for Heading 4 is set at EUR 41.65 million.

e) for administrative expenditure (Heading 5), the Council has applied a 2% reduction on current expenditure, to take account of efficiency gains and the impact of inter-institutional co-operation. The standard flat rate abatement on salaries for some institutions has increased. Further, the Council accepts all new A* posts requested for enlargement activities whilst making some reduction to the grade B and C posts. The margin available under this Heading has been set at EUR 130.11 million.

f) for pre-accession instruments (Heading 7), the Council accepts the PDB for commitment appropriations. At the same time it is limiting the increase for payment appropriations as proposed in the PDB, leading to a reduction of EUR 127.25. The margin available under this Heading has been set at EUR 1 085.40 million

g) for compensations (Heading 8), the Council accepts the figures presented in the PDB and has accordingly set the margin available under this Heading at EUR 499 668. Lastly,

h) for revenue, the Council accepts the figures set out in the PDB, subject to the technical adjustments arising from changes made to expenditure and staff in the draft budget.

2006 budget: Section III, Commission

2005/2001(BUD) - 08/03/2005

The Conclusions adopted by the Council will serve as the basis for forthcoming discussions on the 2006 budget with the European Parliament and Commission. In its Conclusions, the Council notes, that the 1999 Inter-institutional Agreement serves as the basis for work on the 2005 budget. The 2006 budget will be the last under the current Financial Perspective. As such, the Council stresses the need for Community expenditure to remain within the limits set by the existing Financial Perspective. Sufficient margins must be maintained below the ceilings of the various Headings, the exceptions being Heading 2. In its Conclusions, the Council remarks on the excellent collaboration, which has existed between the various institutions regarding previous budgetary negotiations. It expresses the hope that the spirit of co-operation between the two arms of the budgetary authorities and the Commission can be maintained.

There is an emphasis on budgetary restrain and discipline. The Council remarks that the Community must exercise the same level of discipline over its own budget as that shown by the Member States when exercising their own national budgets. At the same time, the Council acknowledges that sufficient resources need to be allocated for the implementation of EU policy priorities. In addition, the Council recalls the great importance of keeping a tight grip on payment appropriations. The level of payment appropriations entered into the budget should be sufficient to fulfil the different commitments undertaken by the EU, tacking account of past implementation and the genuine requirements for 2006. Similarly, commitment appropriations should reflect real and well-defined needs taking account of, *inter alia*, absorption capacities, as well as being compatible with the Financial Perspective. The Council notes that the financial conclusions of the Copenhagen European Council will be taken into account when preparing the 2006 budget. As far as the specific Headings of the draft budget are concerned, the Council makes the following points:

- Heading 1. The Commission is invited to present realistic forecasts for CAP expenditure. Particular attention should be given to ensure that the payment appropriations for expenditure related to rural development are accurate.

- Heading 2. The Council considers that whilst it fully respects commitments entered into by the European Councils of Copenhagen and Berlin, an accurate level for payment appropriations for structural funds should be established. It considers that improved forecasts should be established by the Commission, which take account of information forwarded to it by the Member States. In addition the Council requests that updated estimates should be forwarded to it in due time as well as calling for simplified implementation procedures.

- Heading 3: The Council highlights the importance of dedicating EU resources to the realisation of the Lisbon Council conclusions. Particular attention needs to be given to financing actions relating to external border co-operation and immigration issues. It stresses the need to provide a sufficient margin under this ceiling to provide for a reprioritisation of needs.

- Heading 4: All programmes and actions should be financed within the ceiling of the existing Financial Perspective. The CFSP budget should be enough to meet both present and future needs. The Council believes that after re-prioritisation and the re-allocation of appropriations have been taken into account, there will be room to finance additional programmes destined for the reconstruction of Iraq as well as countries affected by the Boxing Day tsunami. The IIA requires that the institutions ensure as far as possible that sufficient margins are left available for unforeseen circumstances.

- Heading 5: The Council calls on all institutions to establish rigorous draft estimates reflecting genuine needs. The Council also calls for an adequate margin under this heading. Moreover, it encourages significant saving resulting from rationalisation exercises, productivity gains and the development of inter-institutional co-operation.

2006 budget: Section III, Commission

2005/2001(BUD) - 27/04/2005

PURPOSE : The presentation of the Preliminary Draft Budget for 2006 (Section III : Commission)

CONTENT : The present proposal for a preliminary draft budget, 2006 is based on the last annual budget under the current financial perspective. It aims to complete the financial undertakings made for 2000-2006 and to manage more recent challenges such as the continuing budgetary integration of the new Member States.

The proposed EUR 112.6 billion in payments represents an increase of 6% on the 2005 budget, and is equivalent to 1.02% of the Union's GNI. The amount for which the Commission can enter into financial undertakings in 2006 . The commitment appropriations is set at EUR 121.27 billion, an increase of 4% on 2005, and equivalent to 1,09% of GNI. The proposal reflects real needs in commitments and the latest estimates for payments. It leaves sizeable margins of EUR 6.7 billion under the financial perspective payments ceiling, and EUR 2.4 billion under the commitments ceiling.

The proposed budget takes account of the specific priorities, which echo the priorities set out in the Commission's five year strategic objectives for 2005-2009, namely prosperity, solidarity and security, as well as the external projection of these goals. Furthermore, the Council's 2006 budget guidelines highlight the importance of an adequate financing of Community measures relating to the conclusions of the Lisbon European Council. The drive for prosperity will focus on the re-invigorated and re-focused Lisbon Agenda. Budget support will be provided, notably in the fields of research, education and training, assistance to SMEs, and the Trans-European Networks in the transport and energy sectors. Funding to respond to security concerns of Europe's citizens will support the fight against terrorism, combating drug trafficking, maintaining food safety, improving transport safety, and fostering security of energy supply.

MAIN POINTS BY HEADING :

- Agriculture (Heading 1) : For Agriculture the Commission proposes a budget of EUR 51 412 million, which is set to increase by 3,5 % over 2005, due in particular to the increase in rural development up to EUR 7 771 million (+ 13,6 %) which exceeds by 655 million of modulation the increase of the ceiling of subheading 1b. Direct aid, market and veterinary expenditure is set to increase to EUR 43 641 million (+ 1,9 %). Thus the margin available in heading 1 is EUR 1 206 million. The raise in rural development expenditure is in line with the European Parliament's wish to consider it as a crucial part of the Lisbon Strategy. The increase in the proposed budget is as follows: EUR 806 million extra for sub-heading 1a and EUR 930 million for sub-heading 1b. The 2006 budget is the second such budget covering the needs related to CAP reform, which entails important changes to the system of direct aid. The 2006 budget is also the first to assume the budgetary impact of modulation, in other words a partial transfer of direct aids from subheading 1a to rural development financed under subheading 1b. The Commission intends to use the facility offered by the Inter institutional Agreement to reassess needs in the context of the Letter of Amendment in October 2005 thus allowing it to base its budgetary proposals for agriculture on the most recent economic and market-driven statistics.

- Structural Measures (Heading 2): The proposed budget for structural measures of the 25 European Union conforms with the financial perspectives attached to the inter-institutions conclusions of the Copenhagen European Council. The total amount in commitment appropriations for 2006 and applying to the EU 25 is equivalent to EUR 44 555, of which the Cohesion Fund absorbs EUR 6 032 million (or 14%). Commitments for the Structural Funds under structural actions will increase by 3.3% to EUR 38 523 million for the structural funds, whilst the Cohesion funds will increase by 17.5% - an increase of EUR 6 032 million. In terms of overall growth rates in commitments and margins available, structural actions are 5% higher than in 2005. A large part – or around 2/3, of this increase arises from an increase in commitment appropriations available for the new Member States under the Structural Fund programmes. Total commitments for the Cohesion Funds will increase by around 18% between 2005-06. This increase is mainly due to the 35% increase in commitment appropriations for the new Member States. Ireland's loss of eligibility for the Cohesions Fund translates into a reduction of around EUR 62 million relative to the Financial Perspective. Regarding the question of payment appropriations and outstanding commitments (RAL), there will be an increase in the RAL in 2006 for the 2000-2006 programmes, as payments are less than 100% of commitments for both EU 15 and the new Member States. This is in line with programmes foreseen by the Commission.

- Internal Policies (Heading 3): The proposed expenditure under Internal Policies for the financial year 2006 is EUR 9 218 million. EUR 8 837 million will be spent on payment appropriations. The resulting margin is EUR 167 million. Payment appropriations rise by 11.5% compared to 2005 – this raise is mainly related to an absorption of the commitments made after enlargement which increases significantly the budget of this heading for the period 2004-2006, in particular research. Priorities for the Internal Policies heading are determined by the Lisbon Agenda. For 2006, the Commission proposed focusing on 3-4 political priorities namely: prosperity, solidarity and security. Concerning "Prosperity", the Commission recommends that emphasis be given to Research, Technology, Development and Innovation as well as encouraging the free movement of researchers. Particular emphasis is also put on energy and transport, economic and financial affairs, information society, education and culture, enterprise, as well, as freedom, security and justice, which is also a core priority of the five years Commission's strategic objectives for 2005-2009.

- External Actions (heading 4): Under this heading, the Commission seeks to manage new challenges (such as the post-tsunamis reconstruction) whilst at the same time managing on-going priorities such as actions in Iraq and Afghanistan. The commitment appropriations proposed for external actions are up by 1.4% to EUR 5 392 or EUR 75.5 million over the budget for 2005. Since this amount exceeds the ceiling of the financial perspective, the Commission proposes contributing to the post-Tsunami reconstruction effort by EUR 180 million in total. It intends to do so by having recourse to the flexibility instrument. As far as the payment appropriationsare concerned, the overall level proposed is around EUR 5,4 billion and represents a decrease of 2 % as compared to 2005. The proposed level of payments will allow the Commission to carry on its efforts on the absorption of the outstanding commitments. It further reflects the gradual improvement achieved in the aid delivery notably as a result of the reform of the external aid policy and mechanisms.

- Administrative Expenditure (heading 5): Expenditure under this heading will increase by 6.2%, leaving a margin under the financial perspective ceiling of EUR 25 million. The total budget though will be set at EUR 6 683 million. The Commission is requesting 700 new posts related to the last enlargement, and 100 external staff to prepare the accession of Bulgaria and Romania.

- Pre-accession strategy (heading 7): Preparation for future enlargement will continue, in line with the roadmaps agreed for Bulgaria and Romania. Turkey and Croatia will also continue to benefit from the pre-accession strategy funding. An overall amount of EUR 2 481 million is programmed for a pre-accession strategy, which represents an increase of 19.2% on the 2005 budget – but still leaves a margin under the ceiling of EUR 1 085 million.

The next step in the budgetary procedure will be the Council's first reading in July 2005, following by Parliaments first reading in October. The second readings will be in November and December.

2006 budget: Section III, Commission

2005/2001(BUD) - 29/04/2005

In a letter from the European Commission to the Secretary General of the European Parliament, it is stated that, in accordance with Article 272 (9) of the Treaty on the European Community, the maximum rate of increase of "non compulsory" expenditure for the 2006 budget is set at 3.6%.

2006 budget: Section III, Commission

2005/2001(BUD) - 26/10/2005 - Document attached to the procedure

PURPOSE: The presentation of an amending letter No2 to the preliminary draft budget for 2006 relating to Section III of the European Commission with particular relevance to agriculture.

CONTENT: In accordance with the 1999 Inter-institutional Agreement on budgetary discipline, whereby the European Commission may until the end of October submit amendments to the PDF, the European Commission is forwarding an *adhoc* letter of amendment (or amending letter, AL) in order to update figures on agricultural expenditures. The AL contains a careful, line by line update on the estimated needs for agricultural expenditure. In addition to changing market factors, the AL also incorporates legislative decisions adopted in the agricultural sectors since the PDB was drawn up, as well as any proposals, which are expected to have effect during the coming budget year.

As far as market measures are concerned, no break down of appropriations between the Member States is available. The Commission stresses that these appropriations are to be understood as a forecast and not as an objective of expenditure. The actual expenditure will depend, in particular, on real market conditions, on the actual euro-dollar exchange rate and on the rhythm of the payments by the Member States. Since this is a compulsory expenditure, whatever the amount a Member State is obliged to pay in accordance with the regulations will be reimbursed in full.

The euro-dollar rate used is in accordance with Council Regulation on Budgetary Discipline. It comes to 1,22 (EUR 1 = USD 1,22) and results in a decrease in needs of about EUR 169 million compared to the PDB, effecting in particular cereals, sugar and cotton.

Overall needs for subheading 1a (CAP expenditure excluding rural development) are estimated at EUR 43 280 million. EUR 362 million lower than in the PDB, leaving a margin of EUR 1 567 million below the ceiling of the Financial Perspectives.

This decrease results mainly from the chapter 05 02 "Interventions on agricultural markets" (EUR 350 million). For plant products, lower needs are foreseen for cereals (- EUR 136 million), for rice (- EUR 22 million), sugar (- EUR 122 million) and textile plants (- EUR 28 million). These are offset by a forecast increase for fruits and vegetables (+ EUR 110 million) and wine (+ EUR 165 million). For animal products there are lower needs for milk and milk products (EUR 285 million) in addition to forecast lower spending for beef and veal (- EUR 80 million). Increased needs are also foreseen for food programmes (+ EUR 48 million). The appropriations for decoupled direct aids remain unchanged.

For rural development (subheading 1b), the PDB estimates for commitment and payment appropriations remain unchanged at EUR 7 771 million and EUR 7 711 million respectively. For the 15 “old” Member States, the level of commitment appropriations is set at the ceiling of the Financial Perspective. For the 10 new Member States, the commitment appropriations proposed correspond to the amount agreed in Copenhagen.

In preparing this amending letter, the Commission has taken account of some of the opinions expressed by the budgetary authority during its first reading. In order to incorporate these wishes in the AL the Commission is proposing the following modifications:

- EUR 500 000 will be made available under 05 01 04 07 pilot project to conduct a feasibility study on introducing a security fund in the fruit and vegetables sector.

- EUR 300 000 will be made available under 05 04 03 01 to finance a study of the means to combat the dying back of forests in the European Union (under Heading 3 of the Financial Perspective).

To conclude, the presentation of the AL will result in Heading 1 of the DPB 2006 being reduced by EUR 361,6 million and to increase Heading 3 (internal policies) by EUR 300 000.

2006 budget: Section III, Commission

2005/2001(BUD) - 15/12/2005

PURPOSE : to present the final adoption of the general budget of the European Union for the financial year 2006.

LEGISLATIVE ACT : 2006/179/EC, Euratom.

CONTENU : the 2006 budget was adopted on 15 December 2005 with the European Parliament’s second reading. The total level of commitment appropriations amounts to EUR 121 190 million, which represents an increase of 4.5 % on 2005. Payment appropriations increase by 5.9 % to EUR 111 969 million, which represents 1.01 % of the gross national income (GNI) of the European Union. The margins remaining below the ceilings of the financial perspective are EUR 2 505 million for commitments and EUR 7 323 million for payments.

For **agriculture and rural development** commitments amount to EUR 51 051 million, leaving a margin of EUR 1 567 million under the ceiling. Payment appropriations increase by 5.2 %compared to 2005 to a level of EUR 51 991 million. During the budgetary process, an adjustment to the sub-headings of the financial perspective was agreed, allowing for modulation of funds from sub-heading 1a agriculture to sub-heading 1b rural development in line with the last reform of the CAP. Of the total commitments under Heading 1, EUR 7 771 million is for rural development measures, with payments at EUR 7 711 million.

For **structural operations**, commitments increase by 5 % on 2005 to EUR 44 555 million. Payment appropriations amount to EUR 35 640 million, which is an increase of 10 % compared to 2005. In addition, in accordance with the declaration agreed at the trilogue of 30 November, if the Commission becomes convinced of a shortage in payment appropriations, it will present a preliminary draft amending budget to the budgetary authority, which should be decided

on in a single reading.

Commitment appropriations for **internal policies** amount to EUR 9 373 million. This is an increase of 2.4 % on 2005, and leaves a margin of EUR 12 million under the ceiling. Payment appropriations increase by 10.9 % to EUR 8 889 million. The budgetary authority agreed to increase the financial envelope for a number of co-decided programmes, which are in their final year, for a total amount of EUR 100 million. The emphasis is on measures to encourage growth, environmental protection and encouraging active citizenship, especially among Europe’s young people, thus contributing to the Lisbon Strategy.

For **external actions**, commitments increase by 5.9 % to EUR 5 544 million, and payments decrease by 2% to EUR 5 369 million. Of this, EUR 275 million is to be financed outside Heading 4 by recourse to the Flexibility Instrument. This amount is broken down as follows: EUR 100 million for reconstruction in Iraq (out of a total amount of EUR 200 million); EUR 95 million for aid to the regions affected by the tsunami (out of a total amount of EUR 180 million); EUR 40 million for support to the Sugar Protocol countries affected by reform in the EU sugar sector; and EUR 40 million for the Common Foreign and Security Policy (CFSP).

For **administrative expenditure** both commitment and payment appropriations are set at EUR 6 656 million, which is an increase of 5.8 % on 2005. A total of new 800 posts are created, of which 700 are related to the last enlargement, and 100 are intended for external staff in order to prepare the accession of Bulgaria and Romania.

The preparation for future enlargements will continue, in line with the roadmaps agreed for Bulgaria and Romania.

Turkey and Croatia will also continue to benefit from the pre-accession strategy funding. An overall amount of EUR 2 481 million is programmed in commitments for **pre-accession strategy (heading 7)**, which represents an increase of 19.2 %on the 2005 budget, but still leaves a margin under the ceiling of EUR 1 085 million.

In accordance with the political agreement that the new Member States should not become net-contributors to the budget at this early stage of their membership, **compensation** of EUR 1 074 million is foreseen under Heading 8. This will be available as transfers to the new Member States to balance their budgetary receipts and contributions.

2006 budget: Section III, Commission

2005/2001(BUD) - 15/07/2005

After the meeting with the European Parliament, and on the basis of the preparatory work done by the Permanent Representatives Committee and during the conciliation meeting with the European Parliament, the Council confirmed by a qualified majority the agreement reached by the Permanent Representatives Committee on the draft general budget for 2005. (The delegations of Germany, Austria and the Netherlands abstained).

The Council gives a mandate to the Presidency, assisted by the General Secretariat of the Council, to establish budget documents and forward them to the European Parliament in accordance with the planned timetable.

2006 budget: Section III, Commission

2005/2001(BUD) - 24/11/2005

The Council held a conciliation meeting with a delegation from the European Parliament to examine the EU's draft general budget for 2006. Despite major progress in bringing positions closer together, representatives of the two institutions were unable to reach total agreement at this stage, and the Council postponed its second reading of the draft budget. The presidency indicated that it would reflect on how to take work forward with a view to bringing the conciliation to a successful conclusion and also enabling the Council to approve its second reading as soon as possible.

2006 budget: Section III, Commission

2005/2001(BUD) - 27/10/2005 - Budgetary text adopted by Parliament

The European Parliament adopted a resolution drafted by Gianni **PITELLA** (PES, Italy) and stated that the Council's adopted level of EUR 111,4 billion (1,01% of GNI) was inadequate for the effective implementation of policies already agreed and necessary new actions. Parliament decided to increase payments across the budget to a level of EUR 115,4 billion (1,04% of GNI). The budget proposed reintroduces a series of appropriations which the Council decided to withdraw in the context of a preliminary agreement in July. These funds essentially concern research, education and youth, and support programmes for small and medium-sized enterprises.

General considerations and priorities: Parliament decided to increase budgetary commitments, in particular for the Lisbon and Göteborg strategy, for information policy and for external actions, in order to safeguard important EU actions in line with its previous resolutions on the 2006 budget and which will make a difference for EU citizens. It urged the Council to cooperate fully with the Parliament to reach a satisfactory solution, including the utilisation of measures envisaged within the framework of the Interinstitutional Agreement of 6 May 1999.

Heading 1: Parliament warmly welcomed the revision of the sub-ceilings of heading 1 in order to make possible the modulation measures related to CAP reform agreed between Parliament and Council at the conciliation of 15 July 2005. The amounts suggested by the Commission in its budgetary proposal should be considered the minimum necessary. Parliament therefore decided to reject the Council's reductions.

Heading 2: Parliament noted thelarge gap between the Member States' payments forecasts and the Commission's PDB regarding the Structural Funds. It increased payment appropriations to a level of EUR 39.2 billion. It also insisted that the PEACE programme for Northern Ireland continue to receive support but recalled that the amount to be re-deployed from "innovative measures" was jointly agreed between the Parliament and the Council at the budget conciliation of 25 November 2004. Parliament reinstated this level and asked the Council to agree a solution, within the framework of all means envisaged in the Interinstitutional Agreement of 6 May 1999, to solve the financing of the remaining EUR 12 million for PEACE.

Heading 3: Parliament rejected the Council's attitude of indiscriminate reductions which runs contrary to pressing political priorities, most especially the need to match the ambitions for the renewed Lisbon strategy with something more than what is already available in 2005. The 2006 budget is a bridge to a new programming period and should therefore reflect its transitional character and anticipate the envisaged higher funding from 2007 onwards for the key policy areas. Accordingly, Parliament decided to reinforce a set of important budget lines concerning research and innovation, SMEs, competitiveness, Socrates, Youth, development of the internal market, Life, Intelligent Energy and the Leonardo da Vinci programme. It also felt that the amounts envisaged for the EU Information Policy are inadequate and decided to increase them. The Commission must first publish its White Paper on information and communication policy. Parliament also wants an explanation for the Commission's under-spending of its information budget in 2005. Parliament rejected an amendment contained in the report presented by the Parliamentary committee aiming to remove a billion euros in subsidies for tobacco producers, part of which might have been channelled towards funding EU anti-smoking campaigns.

Heading 4: It should be recalled that the Council proposed a budget cut of EUR 82.5 million: Parliament was determined that the Council must see reason and agree to finance new priorities without jeopardising important ongoing actions. It rejected the Council's approach of reductions in human rights and democracy lines, geographical cooperation programmes, including the neighbourhood policy, and actions important for the Millennium Development Goals. It decided to enter appropriations at a level which safeguards such policies while making room for new ones. Parliament allocated EUR 200 million to reconstruction in Iraq and EUR 180 million to post-tsunami aid. An agreement on the funding of extraordinary spending should be reached through negotiations with the Council with a view to the budget’s second reading. Parliament also felt that the new "aid for trade" budget line is necessary in order to: improve transparency and thereby democratic control over a large budget, provide trade-related assistance with more visibility; and facilitate more flexibility in mobilising funds quickly and through multilateral initiatives as appropriate.

Heading 5: Parliament was aware of the Commission's declarations as concerns the recruitment of officials from the new Member States and considered this a just priority. The Council's across-the-board cuts are unacceptable and Parliament decided to reinstate for the Commission at first reading an amount of EUR 90.4 million out of the Council's EUR 94.4 million cut. It entered an amount of EUR 16 million of salary appropriations in reserve would release the posts from the reserve once the Commission has carried out a number of actions prescribed by Parliament.

Pilot Projects, Preparatory Actions and Studies: Parliament welcomed the improvement in cooperation with the Commission on this, while regretting that a limited number of projects are still suffering from implementation difficulties. It decided to create a number of important new initiatives in line with its priorities, including: cross-border cooperation in the fight against natural disasters, which would raise awareness of the need for closer cooperation on civil protection measures in order to prevent or at least minimise the consequences of such disasters, individual mobility actions for upper secondary pupils, a pilot project on security along the Trans-European network, mobility actions for young entrepreneurs to support exchanges at a European level, European Destinations of Excellence, and preparatory actions for an internet-based system for better legislation and for public participation, and for Natura 2000.

2006 budget: Section III, Commission

2005/2001(BUD) - 01/12/2005 - Amending/supplementary letter on draft budget

PURPOSE: approval by the Council of the amending letter number 1 to the preliminary draft budget for the year 2006.

CONTENT: On 19 October 2005, the Commission forwarded to the Council Amending Letter No. 1 to the Preliminary Draft Budget for the financial year 2006. This Amending Letter concerns expenditure under Section III – Commission – of the Community budget and covers the following elements:

- the mobilisation of new funds for an amount of EUR 40 million in commitment appropriations (c/a) and EUR 21.2 million in payment appropriations (p/a) to support the accompanying measures for Sugar Protocol ACP countries affected by the reform of the EU sugar regime during 2006;
- the splitting of the amount in two components: EUR 1 200 000 in c/a and p/a (Item 21 01 04 02) for expenditure on administrative management and EUR 38 800 000 in c/a and 20 000 000 in p/a for operational expenditure (Article 21 03 19). These amounts will be included under Items 31 01 40 and 31 02 41 01 of Chapter 31 02 "Reserves for financial interventions" pending the adoption of the legal basis and
- the updating and replacing of the existing legal basis of Article 21 03 19 by the proposed legal basis and updating of the remarks under Item 21 01 04 02 to include Article 21 03 19 in the list of articles covered.

Following conciliation with the Parliament delegation on 24 November 2005 prior to the Budget Council meeting, the Council, as part of an overall agreement with the European Parliament and the Commission involving adoption of the letter at a single reading, decided as follows:

1) to establish Amending Letter No. 1 to the Draft Budget for the financial year 2006 on the basis of the information set out above;

2) to instruct the Presidency to draw up the budgetary documents and forward them to the European Parliament.

2006 budget: Section III, Commission

2005/2001(BUD) - 15/12/2005 - Final budget adopted by Parliament

The European Parliament adopted a resolution drafted by Giovanni **PITELLA** (PES, IT) and Valdis **DOMBROVSKIS** (EPP-ED, LV), and established the payments in the 2006 budget at a level of 1.01% of the Community GNI compared to 1.00% in the 2005 budget. Parliament was disappointed that the Council was not willing to agree to a higher amount, but was willing to accept this payment level as a part of the global compromise on the 2006 budget. Payments are set at EUR 111.969bn, and there are special financing arrangements for the EU's external action. Parliament also observed that the reaching of an agreement between the two sides of the budget authority has not been made any easier by the attitude of the Commission, whose role it is to be a credible and impartial arbitrator between the two sides of the budget authority.

Heading 1: Agriculture: Parliament regretted the Council's reductions to various lines in this sector in accordance with its prerogative for compulsory expenditure, but warmly welcomed, at the same time, the reinforced funding for the food programme for deprived persons.

Heading 2: Structural Actions: Parliament was disappointed that, contrary to the positive indications earlier in the year, the implementation of structural actions in the new Member States had not developed as well as hoped, but was optimistic that, with the support of the Commission, these countries would be able to considerably improve their implementation in 2006. Given the unexpected delays in implementation, the payment appropriations proposed in the Commission's budget proposal provide the most accurate estimate of the needs for 2006 and will enable a sufficient basic level of implementation. A Joint Declaration annexed to the resolution specifically stated that further payment appropriations could be made available, if needed, by way of an amending budget in 2006.

Heading 3: Internal Policies: Parliament underlined the importance of the Lisbon and Gothenburg strategy for sustainable development, competitiveness, job creation and social cohesion. It decided to reinstate a number of Lisbon-related amendments amounting to some EUR 130 million. It welcomed the political agreement with Council to reinforce a number of co-decided programmes in this area, in excess of the amounts set out in the corresponding financial frameworks, and highlighted the additional funding made available for SMEs, research policy, Socrates, LIFE III, the YOUTH programmes and the cultural organisations advancing the idea of Europe. Funding for student exchanges in the Erasmus programme is reinforced, as is the individual student allowances, thereby making the programme more accessible and equitable. Parliament approved a number of pilot projects:

-

to promote the implementation of mobility actions (visits and exchanges) for upper secondary pupils which should start effectively within the framework of the Comenius programme as of 1 January 2007, -on cross border cooperation in the fight against natural disasters,

- on security along the trans-European road network
- the continuation of the pilot project on the 'fight against terrorism'.

A number of budgetary lines for information policy were also reinforced, in support of the re-launch of these actions after the presentation by the Commission of the White Paper on Communication and Democracy. Parliament decided to lift part of the reserve in second reading.

Heading 4: External Policies: Parliament welcomed the decision to mobilise the flexibility instrument for a total amount of EUR 275 million for the reconstruction programme following the tsunami, the reconstruction programme in Iraq, new support measures for ACP countries following sugar reform, and the Common Foreign and Security Policy (CFSP). It agreed to a substantial increase in funding for CFSP actions in order to respond to the international situation, especially the need for conflict prevention and resolution. The total funding for the CFSP for 2006 rises to EUR 102.6 million, an increase of EUR 40 million compared to the 2006 preliminary draft budget. The Joint Declarations annexed to the resolution show that the Council and Parliament agree that the significantly higher funding for CFSP from the Community budget will be accompanied by improved information and consultation measures. The Council has committed itself to being represented at ambassador level in this political consultation process.

Heading 5: Administration: Parliament confirmed its first reading position on administrative expenditure, and stressed the importance of striking a balance between applying budgetary rigours and providing the institutions with the necessary budgetary resources for their proper functioning. It will restore all posts not approved by Council but maintain the reserve of EUR 16 million in administrative expenditure until all conditions are fulfilled. It released part of the reserve related to comitology, awaiting the results of the exploratory contacts between Parliament and Commission on a revision of Council Decision 1999/468/EC. Parliament welcomed the decision taken to increase the funds available for cultural organisations by EUR 1 million.

Heading 7: Pre-Accession Strategy: Finally, Parliament confirmed its decision to provide for greater budgetary transparency in relation to Community assistance to candidate or pre-candidate countries, especially with a view to the entry into force of the new pre-accession instrument, which would consolidate into one single act a variety of geographical and thematic programmes.