Basic information

2007/2019(BUD) BUD - Budgetary procedure	Procedure completed
2008 budget: section III, Commission **Subject** 8.70 Budget of the Union 8.70.60 Previous annual budgets	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	VIRRANKOSKI Kyösti (ALDE)	13/12/2006

Former committee responsible	Former rapporteur	Appointed
BUDG Budgets	VIRRANKOSKI Kyösti (ALDE)	13/12/2006

Former committee for opinion	Former rapporteur for opinion	Appointed
AFET Foreign Affairs	GAHLER Michael (PPE-DE)	27/02/2007
DEVE Development	WALTER Ralf (PSE)	30/01/2007
INTA International Trade	ŠŤASTNÝ Peter (PPE-DE)	28/02/2007
CONT Budgetary Control	GARRIGA POLLEDO Salvador (PPE-DE)	27/03/2007
ECON Economic and Monetary Affairs	MONTORO ROMERO Cristobal (PPE-DE)	13/02/2007
EMPL Employment and Social Affairs	STAUNER Gabriele (PPE-DE)	28/02/2007
ENVI Environment, Public Health and Food Safety	HAUG Jutta (PSE)	27/02/2007

ITRE Industry, Research and Energy	NIEBLER Angelika (PPE-DE)	27/02/2007
IMCO Internal Market and Consumer Protection	RUDI UBEDA Luisa Fernanda (PPE-DE)	11/04/2007
TRAN Transport and Tourism	ZĪLE Roberts (UEN)	06/03/2007
REGI Regional Development	ROSZKOWSKI Wojciech (UEN)	26/02/2007
AGRI Agriculture and Rural Development	MULDER Jan (ALDE)	19/12/2006
PECH Fisheries	FERNANDES Emanuel Jardim (PSE)	14/03/2007
CULT Culture and Education	TRÜPEL Helga (Verts/ALE)	29/01/2007
JURI Legal Affairs	The committee decided not to give an opinion.	
LIBE Civil Liberties, Justice and Home Affairs	DÜHRKOP DÜHRKOP Bárbara (PSE)	20/03/2007
AFCO Constitutional Affairs	PĪKS Rihards (PPE-DE)	01/03/2007
FEMM Women's Rights and Gender Equality	GRÖNER Lissy (PSE)	23/03/2007
PETI Petitions	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2814	2007-07-13
Economic and Financial Affairs ECOFIN	2822	2007-10-09
Economic and Financial Affairs ECOFIN	2833	2007-11-23
Agriculture and Fisheries	2834	2007-11-26

European Commission

Commission DG	Commissioner
Budget	GRYBAUSKAITĖ Dalia

Key events

Date	Event	Reference	Summary
02/05/2007	Commission preliminary draft budget published	COM(2007)0300	
10/09/2007	Council draft budget published	11781/2007	Summary
24/09/2007	Committee referral announced in Parliament		
11/10/2007	Vote in committee		Summary
17/10/2007	Budgetary report tabled for plenary	A6-0397/2007	
23/10/2007	Debate in Parliament		
25/10/2007	Decision by Parliament	T6-0473/2007	Summary
25/10/2007	Results of vote in Parliament		
26/11/2007	Amended budget adopted by Council		
26/11/2007	Debate/examination by Council scheduled	15717/2007	Summary
29/11/2007	Vote in committee, 2nd reading		Summary
04/12/2007	Budgetary report tabled for plenary, 2nd reading	A6-0492/2007	
10/12/2007	Committee referral announced in Parliament, 2nd reading		
11/12/2007	Debate in Parliament		
13/12/2007	Decision by Parliament, 2nd reading	T6-0616/2007	Summary
13/12/2007	Results of vote in Parliament		
13/12/2007	End of procedure in Parliament		
14/03/2008	Final act published in Official Journal		

Technical information

Procedure reference	2007/2019(BUD)
Procedure type	BUD - Budgetary procedure
Procedure subtype	Budget
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/6/56735

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	REGI	PE390.475	18/07/2007	

Committee opinion	LIBE	PE392.098	10/09/2007	
Committee opinion	AFCO	PE390.772	11/09/2007	
Committee opinion	FEMM	PE391.991	11/09/2007	
Committee opinion	TRAN	PE390.537	12/09/2007	
Committee opinion	AFET	PE390.579	12/09/2007	
Committee opinion	ECON	PE390.632	12/09/2007	
Committee opinion	INTA	PE391.975	12/09/2007	
Committee opinion	IMCO	PE392.037	12/09/2007	
Committee opinion	CULT	PE391.993	13/09/2007	
Committee opinion	ENVI	PE392.001	13/09/2007	
Committee opinion	ITRE	PE390.456	18/09/2007	
Committee draft report		PE393.965	25/09/2007	
Committee opinion	PECH	PE392.087	03/10/2007	
Committee opinion	DEVE	PE393.851	03/10/2007	
Committee opinion	CONT	PE392.249	04/10/2007	
Amendments tabled in committee		PE394.237	04/10/2007	
Committee opinion	AGRI	PE390.589	09/10/2007	
Budgetary report tabled for plenary, 1st reading		A6-0397/2007	17/10/2007	
Budgetary text adopted by Parliament		T6-0473/2007	25/10/2007	Summary
Committee draft report		PE398.318	22/11/2007	
Amendments tabled in committee		PE398.400	26/11/2007	
Budgetary report tabled for plenary, 2nd reading		A6-0492/2007	04/12/2007	
Final budget adopted by Parliament		T6-0616/2007	13/12/2007	Summary
Committee opinion	EMPL	PE390.536	12/09/2008	

Council of the EU

Document type	Reference	Date	Summary
Council draft budget	11781/2007	10/09/2007	Summary
Document attached to the procedure	11877/2007	10/09/2007	Summary
Amending/supplementary letter on draft budget	13659/2007	09/10/2007	Summary
Amending/supplementary letter on draft budget	15716/2007	26/11/2007	Summary
Council amended draft budget	15717/2007	26/11/2007	Summary

European Commission

Document type	Reference	Date	Summary

Document attached to the procedure	SEC(2007)0529	27/04/2007	Summary
Commission preliminary draft budget	COM(2007)0300	02/05/2007	Summary
Document attached to the procedure	SEC(2007)1140	17/09/2007	Summary
Document attached to the procedure	SEC(2007)1454	26/10/2007	Summary

Additional information		
Source	**Document**	**Date**
European Commission	EUR-Lex	

Final act	
Budget 2008/0165 OJ L 071 14.03.2008, p. 0001	Summary

2008 budget: section III, Commission

2007/2019(BUD) - 13/07/2007

After the conciliation meeting with the European Parliament, the Council confirmed by a large qualified majority the agreement on the draft general budget for 2008.

Before examining and establishing the draft budget for the financial year 2008, the Council held its customary meeting with a delegation from the European Parliament in the framework of the Interinstitutional Agreement. The delegation was led by Mr Reimer BOGE, Chairman of the Committee on Budgets, and comprised:

- Mr Kyosti **VIRRANKOSKI** (Rapporteur for Section III - Commission - of the 2008 budget),
- Mr Ville **ITALA** (Rapporteur for Other Sections of the 2008 budget),
- Mr Valdis **DOMBROVSKIS**, Mr James **ELLES**, Mr Michel **GAHLER**,
- Mr Salvador **GARRIGAPOLLEDO**, Ms Catherine **GUY-QUINT**, Ms Jutta **HAUG**,
- Ms Monica Maria **IACOB-RIDZI**, Mr Francesco **MUSOTTO**, Mr Bernhard **RAPKAY**,
- Ms Dagmar **ROTH-BEHRENDT**, Mr Esko **SEPPANEN**, Mr Laszlo **SURJAN** and
- Ms Helga **TRUPEL**, members of the European Parliament.

Ms Dalia **GRYBAUSKAITE**, member of the European Commission, took part in the conciliation meeting.

The conciliation meeting, which was prepared on the basis of the outcome of the discussions in the Trilogue on 6 July 2007 covered the general outline of the 2008 budget and the following specific items related to the Budget 2008:

1. **Kosovo and Palestine**: the European Parliament and the Council agreed to resume discussion of this question in November in order to better clarify the additional financial needs which could be identified consequently to the evolution of the situation;
2. **CFSP**: the European Parliament and the Council held an exchange of views on the subject and agreed to come back to it in November in the light of developments;
3. **Decentralised and executive agencies**: the European Parliament and the Council held an exchange of views on this subject and adopted two joint statements.

A number of joint statements were made on recruitment related to 2004 and 2007 enlargement, decentralised and executive agencies, Structural and Cohesion Funds and Rural Development 2007-2013, assigned revenues respectively, which will be entered in the Council's minutes.

As regards decentralised agencies, the European Parliament, the Council and the Commission demand greater transparency in relation to the decentralised agencies, with a view to better monitoring their development. The Commission will identify for each heading the expenditure for agencies, including its evolution over the 2007-2013 period.

To allow the budgetary authority to get a clear and comprehensive picture of evaluations already made, the Commission should give the list of the agencies that have already been evaluated and a short summary of the major findings of these analysis.

To achieve this, decentralised agencies are requested to provide detailed information, on an annual basis, to accompany their draft estimates for the coming budget year. This should include an update of their staff policy plan.

The European Parliament and the Council invite the Commission to proceed to the collection of all information mentioned above, in due time for each PDB, and to collect missing information for this year.

The European Parliament and the Council call on the Commission, before deciding to create a new agency or to extend the remit of an existing agency, to supply complete and detailed information on staffing levels and utilisation enabling the budgetary authority to assess whether the administrative expenditure of implementing a programme has indeed not been increased. It is recalled that the final decision on staffing remains a matter for the budgetary authority.

It should be noted that during the budgetary debate, the European Parliament expressed its concern regarding the level of appropriations in the draft budget for 2008, in particular the reductions concerning sub-Heading 1a. Moreover, it considered that the global level of payments was not sufficient and might lead to an increase of the outstanding commitments (the so- called RAL) for the future. It also expressed its concern regarding the slow adoption of the programmes related to Rural Development under Heading 2.

The Commission criticised the reductions of appropriations made by the Council especially under Heading 5 of the Commission's administrative budget and pointed out the consequences that they might have preventing any recruitment of staff related to enlargement in 2008. It also pointed out the method of reduction used by the Council, in particular regarding appropriations and staff of decentralised agencies. It reiterated its support for the figures included in its Preliminary Draft Budget.

2008 budget: section III, Commission

2007/2019(BUD) - 25/10/2007 - Budgetary text adopted by Parliament

The European Parliament adopted, by 487 votes for, 73 against and 15 abstentions, the report by Kyösti **VIRRANKOSKI** (ALDE, FI) amending the draft general budget of the European Union for the financial year 2008 Section III – Commission.

On overall figures, the Parliament deplores the fact that the Council reduced commitment appropriations in the Draft Budget (DB) 2008 by **EUR 717 million** relative to the preliminary draft budget (PDB), such that commitment appropriations were reduced to EUR 128 401 million. It takes a strong position against Council's cuts to overall payments in the draft budget (DB) by EUR 2 123 million which left total payments at EUR 119 410 million, equivalent to 0.95% of EU GNI, thus leaving a margin of more than EUR 10 billion beneath the payments ceiling of the multi-annual financial framework (MFF) for 2008.

As regards commitment appropriations, the Parliament is particularly **critical of cuts made by the Council to appropriations** for programmes with multi-annual envelopes that have only very recently been negotiated and agreed in co-decision with the European Parliament. It proposes, in its first reading on the 2008 budget, to restore these cuts and considers it necessary to make a number of increases in commitment appropriations for certain political priorities, this has resulted in an overall amount of EUR 129 688 million.

As regards payment appropriations, the Parliament considers 0.95 % of EU GNI to be an insufficient figure in the light of the policy challenges faced by the EU. It expresses its astonishment that the Council should propose over EUR 1 billion of cuts to payments in headings 1a and 1b for programmes identified as priorities under the Lisbon Strategy for improving European competitiveness and cohesion - a long-standing priority of the Council and Parliament. The Parliament therefore proposes increases in the overall level of payments to **0.99 %** of EU GNI. This is in line with the emphasis on accurate implementation in the "budget for results" approach. It has focused these increases on Lisbon priorities and on programmes where levels of unpaid commitments ("reste à liquider" (RALs)) are persistently high. The Parliament has set the amount of payments appropriations at EUR 124 201 million.

It should be noted that the Parliament **supports the letter of amendment to the preliminary draft budget 2008** and in particular the increases in commitment appropriations proposed for Kosovo (EUR 120 million) and Palestine (EUR 142 million) totalling EUR 262 million over the PDB figures. It notes that the Council also proposed increased commitment appropriations for Kosovo and Palestine totalling EUR 260 million in the DB.

Moreover, the Parliament welcomes the Commission's proposal requesting a revision of the MFF to provide adequate financing for **Galileo** and the **European Institute of Technology** (EIT) over the 2007 - 2013 period. On EIT, it considers that the appropriations ought to be budgeted under the policy area "08 research", with the governing structure having its own line ("European Institute of Technology - governing structure") under Heading 5 (Administration) and the KICs a separate one ("European Institute of Technology - Knowledge and Innovation Communities (KICs)"). It recalls that the appropriations for Galileo and for the EIT were placed in the reserve but were not reduced by the Council in the DB. It has however proposed amendments for Galileo and EIT in its first reading such that the final appropriations in budget 2008 are contingent upon a satisfactory agreement on the proposed revision of the MFF (see ACI/2007/2213).

Other salient issues highlighted in the budget resolution concern the following :

Delivering a budget for results - building on the first reading conciliation: the Parliament welcomes the joint statements adopted by the European Parliament and Council at the first reading conciliation and wishes, in this context, to see more rapid approval of operational programmes by the Commission in structural funds, cohesion fund and rural development so that operational money can be spent. It also demands rapid progress in this area from the Commission in order to accelerate progress, places certain administrative costs of the Commission in reserve. It underlines that no operational funds are placed in reserve and it will release the reserves on administrative costs in line with an improved rate of approval of **operational programmes**.

On recruitment and redeployment, the Parliament has placed EUR 49 million in reserve pending the commitment of the Commission to carry out a study on Activity Based Management (ABM) implementation before 30 April 2008 with the following information for the budgetary authority.

On **decentralised agencies**, the Parliament restores PDB levels with the exception of FRONTEX for which an increase of EUR 30 million is adopted under Title 3 and with the exception of the European Environment Agency with a slight increase under Title 3. On **executive agencies**, Parliament recalls that executive agencies must not lead to an increase in the share of administrative cost. It underlines that any proposal for the creation of a new executive agency, and the expansion of existing executive agencies, must be based on a comprehensive cost-benefit analysis and that lines of accountability and responsibility should be clearly set out in the proposal.

In light of an EPP-ED amendment approved in Plenary, the Parliament stresses that in order to establish the Joint Undertakings, as well as the announced new decentralised Agency for the Cooperation of Energy Regulators (COD/2007/0197), the procedure provided for in Point 47 of the IIA of 17 May 2006 must be opened.

Moreover, Parliament recalls that, in accordance with the Financial Regulation, Member States have committed themselves to "produce an annual summary at the appropriate national level of the available audits and declarations". However, it notes that only a limited number of Member States have complied with these provisions so far. It requests the Commission to keep the Parliament informed; reminds the Member States of their obligation to comply with the provisions of the revised Financial Regulation, to which they only recently agreed. The Commission is urged to **apply in full Council Regulation No 1/1958** of 15 April 1958 determining the languages to be used by the European Economic Community and dismisses financial grounds for derogations as invalid, since they have not been advanced during the budgetary procedure.

Specific issues - main elements by budget heading, pilot projects, preparatory actions: the Parliament has confirmed the different amounts under each budget heading as follows:

- **Heading 1a, "Competitiveness for growth and employment":** (EUR 10.34 billion): the Parliament rejects the cuts in commitment and payment appropriations made by the Council in its first reading and restores these cuts. It proposes increases on a number of lines that are political priorities for Parliament. It also proposes a number of pilot projects and preparatory actions in line with its budgetary prerogatives.
- **Heading 1b, "Cohesion for growth and employment":** (EUR 46.87 billion): Parliament deplores the cuts in payment appropriations made in the Council's first reading and restores them. It proposes increases totalling **EUR 2 000 000 000** in payments on lines where RALs have been consistently high in recent years. It demands more streamlined administrative procedures in order to improve implementation of operational programmes for structural and cohesion funds. Furthermore, it welcomes the documentation and explanations provided by the Commission and the European Investment Bank (EIB) concerning the Risk Sharing Finance Facilities (RSFF). It is of the opinion that the reserve on these lines can be taken out of the budget. It asks however to be informed and for the relevant documents to be forwarded to it when the guidelines are adopted for the second component of CIP, the venture capital instruments, and asks to be informed on the outcome of the negotiations between EIB and Commission on the joint cooperation for the Loan guarantee instrument for TEN-Transport (LGTT);
- **Heading 2, "Preservation of natural resources":** (EUR 56.38 million): the Parliament is strongly opposed to the indiscriminate cuts proposed by Council to many lines under this heading of the budget. It restores the PDB for many such lines but notes that the Council will have the final say on those lines which concern compulsory expenditure. It is concerned by the slow rate of adoption of operational programmes as regards the rural development pillar of the CAP, a long-standing priority of Parliament. It expects to see rapid improvements in this regard. It emphasises the need to speed up the procedure regarding the drawing-up of special national programmes for the recovery of crops and animal production in the areas affected by fires and other forms of natural disasters and stresses that those programmes should be financed from the EAFRD (European Agriculture Fund for Rural Development) by internal transfers or subsidies within a Member State.
- **Heading 3a, "Freedom, security and justice":** (EUR 728 million): the Parliament places appropriations for the Return Fund in reserve pending the adoption of the legal base and also places appropriations in reserve pending the provision of improved information to Parliament regarding the fight against crime. It considers that the Frontex agency must play a more effective role in strengthening the EU's external borders, notably in alleviating the burden currently faced by Member States in connection with illegal immigration. The figure earmarked for this agency thus rises to EUR 70 million in total.
- **Heading 3b, "Citizenship":** (EUR 614 million): Parliament deplores the cuts made by the Council under this heading, which would affect programmes such as Culture 2007, Media 2007 and Youth in action. It restores the PDB and proposes appropriations for a number of new and ongoing pilot projects and preparatory actions in this regard. Attention is drawn to the fact that funding for the information and prevention campaign HELP comes to an end in the budget for 2008 and expects the Commission to submit a follow-up initiative. It also supports, within the Civil Protection Financial Instrument, the provision of a complementary capability in the form of a stand-by force for handling natural or man-made disasters as well as in cases of acts of terrorism or environmental accidents. The Commission is called on to give repeated backing for investment in infrastructure to improve accommodation for refugees. Parliament seeks to encourage a stronger voice for less well represented groups in civil society, combating all forms of discrimination and strengthening the rights of women, children, disabled and older persons. The Commission is asked to use the appropriations earmarked for information to provide diverse information, which, inter alia, caters for the public information needs of parliamentary minorities.
- **Heading 4, "EU as a global partner":** (EUR 7.2 million): Parliament supports the increases, including for Kosovo and Palestine, proposed by the Commission. It proposes an additional EUR 10 million each for Kosovo and Palestine and further increases for its priorities up to the MFF ceiling, including the restoration of the PDB for the Emergency Aid Reserve. It cuts CFSP spending by EUR 40 million to the level of budget 2007 and requests the **use of the flexibility instrument to a total of EUR 87 million for CFSP spending and other priorities**, including Kosovo and Palestine. It considers that this reflects the chronic under-funding of heading 4 in the 2007-2013 MFF. It is of the opinion that respect for

human rights and democratic values should be one of the conditions of allocation of EU funds to neighbouring and developing countries. Furthermore, the Parliament believes that the EU should better coordinate its various and laudable initiatives to fight and eradicate poverty-related diseases in neighbouring and developing countries. It proposes to allocate adequate budget resources to provide these countries with the necessary technical assistance instruments and has decided to create a separate budget line for the Global Fund to Fight AIDS, Tuberculosis and Malaria in order to improve transparency and guarantee the necessary funding for both the Global Fund and the other health priorities.

- **Heading 5, "Administration":** Parliament deplores the inefficiencies inherent in a competition system that can leave "approved candidates" languishing on a reserve list for years with no guarantee of being offered a position. It considers that maintaining this approach would contribute to lowering the average standard of new EU officials as the best candidates will seek employment in more dynamic sectors of the EU economy. It requests a serious commitment from the Commission to look again at this issue in the context of follow-up work to the screening exercise and provide further information with a more detailed breakdown of staff per category and by Directorate General and the evolution foreseen for the coming years. Moreover, it also restores the PDB for the cuts made by Council to appropriations and establishment plans in heading 5 and places EUR 49 million in reserve pending the provision of the data and studies. Impact assessments should be made available in all languages necessary, since those documents are tools for better lawmaking.

Concerning the pilot projects and preparatory, MEPs adopted a range of initiatives that should pave the way for future actions that enhance the European Union's capacity to deal with the real needs of its citizens.

2008 budget: section III, Commission

2007/2019(BUD) - 13/12/2007 - Final budget adopted by Parliament

The European Parliament adopted a resolution based on the report drafted by Kyösti **VIRRANKOSKI** (ALDE, FI) and Ville **ITÄLÄ** (EPP-ED, FI) on the draft general budget of the European Union for the financial year 2008 as modified by the Council (all sections) and on the Letters of amendment Nos 1 /2008 and 2/2008 to the draft general budget of the EU for the financial year 2008.

Parliament underlines that the **"budget for results"** approach it has endorsed is built on the pillars of transparent presentation, clear objectives and accurate implementation, so that the Commission is judged not on the basis of bureaucratic process but on the results it delivers towards politically agreed objectives. It will continue to emphasise these elements in its further work on the 2008 budget.

On overall figures, Parliament sets the final level of commitment appropriations at **EUR 129 149 million.** It ensures that multi-annual programme envelopes that have only recently been agreed between Parliament and Council are respected, contrary to the cuts proposed by Council, in particular in heading 1a. It sets the overall level of payments at **EUR 120 346 million,** equivalent to 0.96% of EU GNI. This leaves a very significant margin of EUR 9 411 241 388 million beneath the payments ceiling of the multi-annual financial framework (MFF) for 2008. Parliament underlines the importance of effective budget implementation and reducing unpaid commitments (reste à liquider - RALs), in light of the modest overall level of payments. It states that there will certainly be a need for a higher amount in payments in the 2008 budget, and expects the Commission to propose higher payments where appropriate during 2008, if necessary via an amending budget.

Parliament welcomes the outcome of the 23 November 2007 conciliation with the Council, in particular as regards the financing of Galileo, via a revision of the 2007 - 2013 MFF and use of the flexibility instrument, and the European Institute of Innovative Technology. This financing solution is fully in line with the approach advocated by the European Parliament, in particular as it does not reduce planned appropriations for multi-annual financial programmes in heading 1a, as the Council had previously advocated. Parliament also supports letter of amendment No 1/2008 to the preliminary draft budget (PDB) 2008 and in particular the increases in commitment appropriations proposed for Kosovo (EUR 120 million) and Palestine (EUR 142 million) and to appropriations of EUR 285 million for CFSP in the 2008 budget.

Request for further information: Parliament notes the descriptive report provided by the Commission on activity-based management (ABM) in advance of its second reading. On the basis of a firm commitment provided by the Commission to produce a study, including some proposals for improvements to be presented at a hearing foreseen in Spring 2008 in Parliament's Committee on Budgets, Parliament agrees to place only EUR 5 million in reserve; expresses its intention to produce an own initiative report on improving the implementation of ABM. The Commission’s study on ABM implementation should include certain prescribed information for the budgetary authority. Parliament asks in particular for:

- a commitment from the Commission to present a follow-up to its report "on planning and optimising Commission human resources to serve EU priorities" by 30 April 2008 which will include in particular a detailed breakdown of staff per category, and by Directorate General, and the evolution foreseen for the coming years ;

- an action plan with detailed measures to reorganise every sector examined in the screening (Human Resources, IT, Document Management/Logistics /Security, Internal Auditing, Evaluation, ABM, Interinstitutional Relations, Communication/Information/Publication, Policy coordination);

-in support of the demands formulated in the European Court of Auditors' special report 2/2007 on the Institutions' expenditure on buildings, more concrete steps towards common arrangements from the Commission. Parliament asks the Commission to report in a more detailed way on the factors that led it to conclude that the European Quarter should remain the centre of the Commission's activities.

On decentralised agencies, Parliament restores PDB levels with the exception of Frontex for which an increase of EUR 30 million is adopted and with the exception of the European Environment Agency with a slight increase under Title 3. It considers that executive agencies must not, either now or in the future, lead to an increase in the share of administrative cost..

Parliament notes thatonly a limited number of Member States have complied with the provisions of the IIA so far, and regrets that none of the concrete proposals on national (management) declarations put forward by the European Parliament in its 2003, 2004 and 2005 discharge resolutions are incorporated in the Commission's Audit Strategy. It again reminds the Member States of their obligation to comply with the provisions of the revised Financial Regulation, to which they only recently agreed.

Specific issues: with regard to the main headings, Parliament makes the following points :

- **heading 1a "Competitiveness for growth and employment"**: Parliament rejects the cuts made by the Council in its first reading, especially where these cover multi-annual programmes recently co-decided with Parliament that aim to deliver on the Lisbon Strategy;

- heading 1b, "Cohesion for growth and employment": it regrets the delays in execution and underlines also that time is money. It recalls the decision to establish the EU Long Range Identification and Tracking Data Centre (LRIT) operated by the European Maritime Safety Agency (EMSA) by 31 December 2008 and acknowledges the need for additional financing in 2008 for EMSA in order to cover this new function ;

- **heading 2, "Preservation of natural resources"**: Parliament demands clearer presentation of the figures for market measures and direct aids in future budgetary procedures. It is concerned by the slow rate of adoption of operational programmes as regards the rural development pillar of the CAP, a long-standing priority of Parliament, and expects to see rapid improvements in this regard. It emphasises its strong commitment to the proper budgetary endowment of funds for school fruit and vegetables and school milk (and other dairy products). Parliament rejects the Council's attempt to re-classify a small number of lines as compulsory expenditure in heading 2, in particular lines 17 04 05 01 and 17 04 05 02 which concern the Plant Variety Office;

- heading 3a, "Freedom, security and justice" : Parliament takes note of Council’s agreement to increase funding for Frontex by EUR 30 million, and modifies the breakdown in a way it considers most appropriate to ensure maximum added value. It invites the Commission to present an amending budget should the establishment plan need modification as well; .

- heading 3b, "Citizenship": Parliament restores the PDB for multi-annual programme envelopes and proposes appropriations for a number of new and ongoing pilot projects and preparatory actions in this regard. It draws attention to the fact that funding for the information and prevention campaign HELP comes to an end in the budget for 2008 and expects the Commission to submit a follow-up initiative. It calls on the Commission to give repeated backing for investment in infrastructure to improve accommodation for refugees, and seeks to encourage a stronger voice for less well represented groups in civil society, combating all forms of discrimination and strengthening the rights of women, children, disabled and older persons ;

- heading 4, "EU as a global partner": Parliament is concerned by the chronic under-financing of this heading in the 2007-2013 MFF. It supports the increases, including for Kosovo and Palestine, but points out that, following developments at the recent Annapolis conference, estimates for the EU contribution for Palestine may well increase. It has decided to create a separate budget line for the Global Fund to Fight AIDS, Tuberculosis and Malaria in order to improve transparency and guarantee the necessary funding for both the Global Fund and the other health priorities. Parliament also asks the Commission to provide the European Parliament with all the necessary information related to the establishment of the new Global Energy Efficiency and Renewable Energy Fund (GEEREF), in particular the written mandates given to the European Investment Fund, so as to enable the European Parliament to assess the full budgetary and financial implications of this fund.

- heading 5, "Administration": Parliament deplores the inefficiencies inherent in a competition system that can leave "approved candidates" languishing on a reserve list for years with no guarantee of being offered a position. It requests a serious commitment from the Commission to look again at this issue. Parliament restores the PDB for the cuts made by Council to appropriations and establishment plans in heading 5.

Other sections of the 2008 budget: Parliament recalls that its first reading was based on the examination of the specific requests and needs of each institution, and it was consequently expecting to reach a common position with the Council when deciding its second reading. It takes note of the fact that the Council has endorsed its position as regards the budget of the European Economic and Social Committee. It considers however that the other institutions have made substantial proposals to reduce their estimates by prioritising their requests, and wishes to encourage them to pursue this approach in the future and decides to retain its original position taken in first reading and thus restore the cut made by the Council. Lastly, Parliament notes that despite signals given to the European Economic and Social Committee and the Committee of the Regions, the renewal of the cooperation agreement is still not signed. 10% of the appropriations of the Joint Service are entered in the reserve pending renewal of the agreement which is expected by no later than December 2007.

2008 budget: section III, Commission

2007/2019(BUD) - 10/09/2007 - Document attached to the procedure

PURPOSE: to present the financial information on the European Development Funds.

CONTENT: the Commission and the EIB have updated their commitment and payment forecasts for 2007 and 2008 for each of the ACP countries and the OCTs. The payment forecasts in particular have been compiled with great care with the aim of helping the Member States to assess as accurately as possible the amounts they need to earmark in their national budgets while ensuring that sufficient financial resources are available for the EDF to avoid liquidity problems.

In accordance with Article 8 of the Financial Regulation applicable to the 9th EDF, these forecasts will be adjusted in the October 2007 Communication.

Implementation of the European Development Funds at 31 December 2006

- Funds available at 31 December 2006: the document gives an overview of the funds available to the Commission and EIB under the EDFs (6th to 9th), commitments and payments at the end of 2006. Of the amount not committed (EUR 3 607 million), EUR 3 163 million fall within the remit of the Commission and will be committed by the end of 2007.

- The cash balance available to the Commission at the end of 2006 was approximately EUR 131 million, more than expected (EUR 74 million). However, at 31 December 2006, a high volume of payments (some EUR 110 million) had been initiated, against EUR 23 million the year before. And the Commission needed all of this EUR 131 million to cover the period between 1 and 27 January when the first tranche of the 2007 contributions was scheduled.

Financial implementation forecasts for 2007 and 2008

The report notes that 2007 payments have been revised markedly upwards for both the Commission and the EIB. For the Commission the increase is attributable to:

- the beneficial impact of devolution: following the completion of this process in 2005 there was a greater than forecast speeding-up of contract awards in 2006 (20% up on 2005), which led to a greater volume of payments than forecast in 2007;
- the end-of-term review of the 9th EDF and decisions to reassign resources, which should lead to additional payments as early as this year (for the Peace Facility);
- better than expected progress in certain "risky" countries.

The EIB has also made faster progress than expected. This is because a number of projects approved since 2003 are now becoming operational and there was a marked increase in the loans agreed in 2006, especially for the private sector.

Since 2008 will see the start to implementation of a new EDF the forecasts are inevitably less reliable than usual. This is particularly true of commitments, for which the estimate is purely speculative at present. The figures are based on the assumption that the 10th EDF will enter into force on 1 January 2008.

Financial situation forecast for 2007 and 2008

To meet the rise in forecast payments in 2007, the EIB asked for an additional contribution of EUR 80 million in May this year. As this proposal was rejected by the Council, the amount has been integrated in the proposal on the second instalment. The amount of the third tranche forecast in October 2006 is confirmed for the present.

Contributions for the Commission should rise from EUR 2 640 million to EUR 2 935 million. The Commission proposes a slightly higher second tranche of EUR 1 050 million, EUR 200 million more than estimated in October. According to current estimates the third tranche will be in the order of EUR 385 million. A preliminary estimate of the contributions required for 2008 gives a figure of EUR 3 672 million.

2008 budget: section III, Commission

2007/2019(BUD) - 02/05/2007

PURPOSE: to present the preliminary draft general budget (PDB) of the European Communities for the financial year 2008 (Section III: Commission).

CONTENT: the Preliminary Draft Budget for 2008 is the second for a European Union of 27 Member States. In 2007 the EU welcomed Bulgaria and Romania, and at the same time embarked on the new multiannual financial framework, which will cover the period up to 2013. Many of the new programmes for this period have now been adopted, so 2008 will be an important year for consolidation and implementation.

Achieving and maintaining **sustainable growth** by increasing **competitiveness** and striving for greater cohesion is at the top of the EU agenda, and for the first time it will benefit from the largest share of the PDB. Spending on growth and employment policies increases by +4.2% compared to 2007, to reach 44.2% of the budget, against 43.6% for the protection and management of natural resources, including the Common Agricultural policy.

Commitment appropriations in the PDB are at the level of 1.03% of EU Gross National Income (GNI), and payment appropriations at 0.97% of GNI.

The total Preliminary Draft Budget (PDB) for 2008 amounts to EUR 129.2 billion in commitment appropriations. This represents 1.03 % of Community GNI, and is an increase of 2.0 % on the 2007 budget. A margin of EUR 3.1 billion remains available under the ceiling of the financial framework. **Payment appropriations are proposed at EUR 121.6 billion**, or 0.97 % of GNI. This represents an increase of 5.3 % on 2007.

The focus remains on delivering the Commission’s strategic objectives of prosperity, solidarity, security, and their external projection. These objectives underpin the Annual Policy Strategy for 2008. Nevertheless, as stated in the APS 2008, the Commission has to be alert and ready to provide a dynamic response to new challenges, such as tackling climate change.

Therefore, the adoption of the Energy and Climate Change Package in 2007 must be followed up by concrete action in 2008. Resources will be channelled through various policy areas, to promote sustainable transport and energy, to strengthen environmental policy, and to support developing countries in tackling climate change and pursuing renewable energy.

The renewed Lisbon Strategy remains at the core of EU policy development as well as preserving and managing natural resources in a sustainable and responsible manner.

In addition, to fully achieve a European area of freedom, security and justice, freedom of movement, accompanied by effective management of the EU' s external borders must remain core objectives. Following the start-up phase in 2007, the new actions under the programmes 'Solidarity and Management of Migration', 'Fundamental Rights and Justice', and 'Security and Safeguarding Liberties', will see their resources increase for their first full twelve-month period of implementation.

Lastly, beyond its extended borders, the EU must continue to promote security and prosperity in its neighbourhood, including candidate and potential candidate countries, to support sustainable development at international level, and to promote global political governance and strategic and civilian security.

EXPENDITURE ANALYSIS BY HEADING: the presentation is structured according to that of the financial framework 2007-2013:

Heading 1: ***Sustainable growth****:*

- **1a: Competitiveness for Growth and Employment**: commitments for this heading increase by 9.6 % to EUR 10.3 billion, leaving a margin of EUR 76.6 million. Payments also increase by 35.4 % to EUR 9.5 billion. In particular, research expenditure will increase by some 11%, investments in trans-European energy and transport networks by 14%, and lifelong learning programmes by 9% (with 63.5% increase for Erasmus Mundus);
- **1b Cohesion for Growth and Employment**: for this heading commitments are set at EUR 46.9 billion, which is an increase of 3.1 % on 2007. Payments also rise, by 7.5 %, to EUR 40.6 billion. The new programmes to support cohesion across Europe will kick-in, boosting expenditure in this field by almost EUR 1.4 billion, or 3.1%, of which Cohesion Fund devoted to big infrastructural projects will increase by more then 14% in 2008.

In the context of this heading, the Commission proposes that **EUR 57.2 billion** will be spent on policies related to growth and employment, i.e. 2.3 billion more (+4.2%) than in 2007. It should be noted that the margin for heading 1 (sub-heading 1a) does not take into account the appropriations related to the European Globalisation Adjustment Fund (EUR 500 million/year).

Heading 2: ***Preservation and Management of Natural Resources***: commitment appropriations of **EUR 56.3 billion** are proposed for this heading. This is close to the figure for 2007, and leaves a margin of EUR 2.5 billion under the ceiling. Meanwhile, payments slightly rise by 0.1 % to EUR 54.8 billion. Within this heading there is an amount foreseen for market related agricultural expenditure and direct aids. In PDB 2008, this amounts to EUR 42.5 billion in commitments, and EUR 42.8 billion in payments. The PDB is based on the April 2007 forecast of GNI. A new forecast will be issued on 16 May 2007. This stability should not mask the gradual shifts taking place within this policy area: market related expenditure and direct aid to farmers decrease by only 0.5% to EUR 42.5 billion, whilst rural development programmes continue to grow to reach more than EUR 12.5 billion, a 1.6% increase. Expenditure in the EU's main environmental protection programme, Life+, increases by 11% to reach EUR 267 million.

Heading 3: ***Citizenship, Freedom, Security and Justice:***

- **3a Freedom, Security and Justice**: expenditure increases by a strong 10.8%, to reach **EUR 691 million** and maintaining a margin of EUR 55.9 million. The most significant increase concerns the management of migration flows, at 24%, reaching more than EUR 390 million. Payments also increase by 4.8 % to EUR 496.4 million;
- **3b Citizenship**: commitment appropriations decrease by 7.6 % to **EUR 598.5 million**, leaving a margin of EUR 16.5 million. Payments for this sub-heading decrease by 4.6 % to EUR 694.4 million. The apparent reduction in appropriations for this heading must be seen in the context of the inclusion in the 2007 budget of EUR 24.4 million for the Solidarity Fund, and EUR 87 million for the completion of transition measures in Bulgaria and Romania. If these two elements are excluded, commitment and payment appropriations increase by 11.6 % and by 4.6 % respectively. In particular, the public and health and consumer protection programme increases by 15%, the Europe for citizens programme by 18% and the Media programme by almost 21%.

Heading 4: ***the EU as a Global Partner*** sees an increase in commitments of 1.5 % to **EUR 6.9 billion**, with a margin of EUR 330 million available under the ceiling. Payment appropriations also increase by 7.7 % to EUR 7.9 billion. The funding of the Common and Foreign Security Policy exceeds the EUR 200 million threshold, an increase of 26%, whilst development cooperation continues to represent the biggest budgetary item at EUR 2.2 billion, a 1.9% increase.

Heading 5: ***Administration***: total expenditure for administration is set at **EUR 7.3 billion** in 2008 for all Institutions, leaving a margin of EUR 121.3 million, similar to the one in 2007. Administrative costs for the Commission are set to increase less than the rest of the budget, at 4.1%, including new posts necessary for recent enlargements.

Heading 6: ***Compensation***: this heading covers the Cash-Flow and Schengen Facilities, agreed during the accession negotiations with Bulgaria and Romania These are intended, respectively, to help improve cash-flow in the national budgets; and as a temporary instrument to finance control actions at the new external borders of the Union. The amount to be budgeted in 2008 is **EUR 206.6 million**.

2008 budget: section III, Commission

2007/2019(BUD) - 17/09/2007 - Document attached to the procedure

PURPOSE: to present the Amending Letter No 1 (AL 1) to the Preliminary Draft Budget for 2008 (PDB 2008).

CONTENT : the AL 1 covers the following issues:

- the mobilisation of new funds for an amount of EUR 120 million in commitment appropriations and EUR 60 million in payment appropriations, to support the stability and development of **Kosovo**;

- the mobilisation of additional funds for an amount of EUR 142 million in commitment and EUR 85 million in payment appropriations to support the **Palestinian Authority**;
- the creation of a **new budget article** 03 03 02 Damage requests resulting from legal procedures against the Commission's decisions in the field of **competition**.

A. Mobilisation of funds for Kosovo to support the stability and development of the country: Kosovo, whilst still legally a province of Serbia, has been effectively under United Nations (UN) administration since 1999 on the basis of UN Security Council resolution 1244. Negotiations on a new UN Security Council Resolution to provide Kosovo with a permanent status settlement on the basis of the plan submitted by Special Envoy to the UN Secretary General Martti Ahtisaari were initially expected to be reached during the first semester of 2007. However, the Secretary General of the UN has endorsed a Contact Group initiative to allow a period of further engagement between the parties, mediated by a Troika composed of representatives from the European Union, United States and Russia. The Troika will report to the UNSCR on 10 of December 2007.

Notwithstanding these uncertainties, there is a case for envisaging substantially increased international financial support to Kosovo. The last General Affairs and External Relations Council conclusions issued on 18 June underlined again the necessity of rapidly finding a solution to the Kosovo status issue. It must be recalled that as soon as a settlement is reached, its implementation will have to be immediate. This will entail significant additional expenditure from the Kosovo Consolidated Budget both in the form of start-up costs and running costs, e.g. for new institutions such as municipalities, ministries and services, as well as for the demobilisation of the Kosovo Protection Corps. Moreover, as a consequence of a status settlement, Kosovo will inherit a share of Serbia's external debt which will need to be serviced, adding considerable pressure to the budget. Thus, even if the date of a settlement remains uncertain, provisions have to be made in order to cater for a swift implementation Moreover, and independently of the settlement process, Kosovo has very important and urgent development needs which it cannot address to a sufficient degree using its own resources. Given the uncertainties with regard to its final status, it appears all the more urgent to help redressing some of Kosovo's most pressing economic and infrastructural shortcomings.

It is also expected that the European Union will take a leading responsibility in Kosovo. Two EU preparation teams (financed by the CFSP budget) are on the ground planning for the EU role in a future international civilian office (ICO) and for a rule of law mission. The latter will be the EU’s most important European Security and Defence Policy (ESDP) mission to date.

Success in securing political stability in Kosovo will depend, in part, on making visible socioeconomic development to all Kosovars. For this to happen, not only is significant foreign assistance required, it will also need to be front-loaded, swiftly implemented and to deliver results as early as possible.

The Kosovo authorities, with the assistance of the International Financial Institutions, the European Commission and other international donors, are currently establishing a Medium-Term Expenditure Framework (MTEF) for the years 2008-2010. The share to be taken on by the EU budget is currently estimated at about half of the total amount, i.e. at least EUR 500 million. While EUR 199 million are already programmed under the Instrument for Pre-Accession Assistance (IPA) over the three-year period covered by the MTEF, and EUR 50 million are still available as macro-financial assistance (MFA), EUR 200 million is required as additional front-loaded assistance under the budget 2008.

The Commission is proposing a global amount of EUR 200 million in 2008. This amount shall be broken down as follows

1) EUR 100 million in the form of macro-financial assistance in addition to the assistance committed in 2006 (EUR 50 million). Based on the PDB 2008 proposed by the Commission for the budget line 01 03 02 "Macro-economic assistance", the amount of EUR 100 million of assistance could be financed as follows:

- EUR 40 million in commitment appropriations and EUR 30 million in payment appropriations already budgeted in the PDB 2008;
- **additional EUR 60 million in commitment appropriations** and EUR 30 million in payment appropriations **by letter of amendment**.

2) EUR 100 million in the form of project assistance, that could be financed as follows:

- additional **EUR 60 million in commitment appropriations** and EUR 30 million in payment appropriations **by letter of amendment** under budget line 22 02 02.

The remaining resources required to meet the additional EUR 200 million assistance in the budget 2008 can be drawn from the final allocation envisaged under budget line 19 06 01 that might need to be reinforced, if necessary, during the year.

B. Support for the Palestine Authority: the living conditions of the Palestinian population continue to deteriorate, especially in Gaza. Overall GDP is estimated to have fallen by 5-10 % in 2006, with per capita GDP now 44 % below the level in 1999. Exports and investment are also estimated to have fallen sharply reflecting increased restrictions, a worsening security situation and higher uncertainty. A 60 % fall in the gross revenues of the Palestinian Authority (PA) contributed to the severe fiscal crisis. Since March 2006 and mainly due to Israel's decision not to transfer clearance revenues, the government has been unable to pay most of its salary commitments to PA employees. The overall deficit of the Palestinian Authority in 2007 is estimated at EUR 1.6 billion.

An increased support to the Palestinians in 2008 is envisaged for:

- financial assistance to the Palestinian Authority, in coordination with other donors and international organisations;
- specific projects implemented by United Nations Relief and Works Agency (UNRWA), in its field of operation, and in particular in Gaza;
- building of institutions of the Palestinian Authority: the PA government of Salam Fayyad offers an opportunity to resume institution building efforts. The target of the assistance is to strengthen the PA ministries and other Palestinian institutions in the areas of management of public finances, rule of law, public administration, trade, customs administration, as well as creating the enabling environment for private sector investment;
- development projects: the EU will also consider, as appropriate, funding for development projects. Infrastructure and other development projects are envisaged to boost the economic development in the areas of job creation, water treatment, rehabilitation of electricity distribution networks, solid waste treatment, rehabilitation of schools and health care centres, electricity, transport etc;

- in the 2008 PDB, the level of funding for co-operation with the Palestinian Authority was the best possible estimate of needs given the political uncertainties at the time.

In light of the need to continue a realistic level of funding in 2008, taking account of the state of Palestinian public finances and the requests for assistance from the Palestinian government, **the Commission proposes to increase the budget line 19 08 01 02 in 2008 by EUR 142 million to reach EUR 300 million**. Due to the nature of the projects which envisage a quick disbursement, total needs of payment credits are estimated at EUR 200 million in 2008, this means an increase of EUR 85 million on the top of the PDB figure.

Effect on the Heading 4 margin and possible additional funding sources: the combined **additional needs for heading 4 amount to EUR 262 million in commitments**, of which EUR 120 million for Kosovo and EUR 142 million for Palestine. This leaves a margin under the ceiling of EUR 67.8 million for Heading 4. The additional payment appropriations are EUR 145 million, of which EUR 60 million for Kosovo and EUR 85 million for Palestine.

Beyond this, a reinforcement of the CFSP budget would have to be considered once the cost estimates for the ESDP mission in Kosovo will be confirmed by Council.

C. Competition policy: as a prudential measure, it is proposed that a new budget article 03 03 02 Damage requests resulting from legal procedures against the Commission's decisions in the field of competition should be created, to take into account the possibility of budgetary implications stemming from rulings of the Court of Justice or the Court of First Instance. The line will be endowed with a token entry ("p.m.").

2008 budget: section III, Commission

2007/2019(BUD) - 26/11/2007 - Amending/supplementary letter on draft budget

On 29 October 2007, the Commission forwarded to the Council Letter of Amendment No. 2 to the 2008 Preliminary Draft Budget.

In accordance with the provisions of the Interinstitutional Agreement of 17 May 2006, the Commission has made a new estimate of agricultural expenditure as compared with the 2008 Preliminary Draft Budget (PDB). The new estimates drawn up by the Commission take account of the situation on the various agricultural markets as well as any legislative decisions adopted in the agricultural sector since the PDB was drawn up. They also take account of the impact of updating the euro/dollar exchange rate recorded during the third quarter, which goes up from 1.31 in the PDB to 1.37 (EUR 1 = USD 1.37) and has the effect of increasing needs by about EUR 17 million compared to the PDB.

The new assessment leads to lower overall needs than estimated in the 2008 PDB (-EUR 970 million in c/a and -EUR 1 331 million in p/a). The savings result mainly from decreased needs in the sectors of interventions in agricultural markets (-EUR 971 million) and direct aids (-EUR 381 million). Favourable prospects for most agricultural markets explain this decrease in appropriations, in particular for fruit and vegetables (-EUR 597 million), cereals (-EUR 288 million) and milk and milk products (-EUR 239 million).

However, these savings have been partly offset by increased needs for other sectors, notably rural development (+EUR 362 million in commitment appropriations only, due to the UK voluntary modulation), sugar (+EUR 135 million), products of the wine-growing sector (+EUR 35 million), settlements of disputes (+EUR 21 million), pig meat, eggs and poultry, bee-keeping and other animal products (+EUR 9 million), POSEI (+EUR 7 million) and beef and veal (+EUR 4 million).

In addition, the Letter of Amendment proposes to reduce the reserve line for International Fisheries Agreements by EUR 700 000 and to increase the corresponding operational line by the same amount. The modification relates to compensation payments for additional catches that have been revised upwards for the Agreement with Greenland (+EUR 1.5 million) and downwards for the Agreement with Guinea-Conakry (-EUR 800 000).

The net overall financial impact of this transaction is zero.

Finally, the Letter of Amendment proposes changes in the nomenclature covering the Sugar Restructuring Fund and the Clearance with regard to the temporary restructuring fund - assigned revenue, as well as the budgetary remarks concerning different items.

On 26 November 2007, the Council established Letter of Amendment No. 2 to the Draft Budget for the financial year 2008 as fully proposed by the Commission and as set out in the technical annex to Council document (*Council doc. 15716/07*).

2008 budget: section III, Commission

2007/2019(BUD) - 18/12/2007 - Final act

PURPOSE: to present the final adoption of the general budget of the European Union for the financial year 2008.

LEGISLATIVE ACT: 2008/165/EC, Euratom.

CONTENT: the European Parliament adopted the European Union budget for 2008 on 18 December 2007. It is in line with the definitions set out by the budget authorities and with the European Parliament's text adopted at 2nd reading (see Parliament's resolution of 13.12.2007).

The 2008 budget is the second one to be issued under the 2007-2013 financial framework. For the first time ever, the largest share of the EU budget - 45% of all EU spending – will be dedicated to economic growth and greater cohesion in the EU-27. Spending more on competitiveness reflects Europe's commitment to prosper in a constantly evolving global economy. The EU is also ensuring stable support for farming: agriculture will continue to receive over 40% of EU cash.

The adopted budget amounts to **EUR 129.1 billion in commitment appropriations**, an increase of 2.2% compared to 2007. It corresponds to 1.03% of the EU Gross National Income (GNI). The payment appropriations will amount to **EUR 120.3 billion**, or an increase of 5.7% in nominal terms. This represents a level of only 0.96% of EU-27 GNI.

The priorities of the 2008 budget for the European Union: the key priority for the European Union remains growth and employment in line with the Lisbon Strategy.

The main budget headings are as follows:

Heading 1 – Sustainable development: of the **EUR 58 billion** which will go to boosting growth and employment by promoting competitiveness and cohesion, EUR 11.1 billion is available for programmes aimed at improving competitiveness, an increase of 18.3% on 2007. This includes investment in research, transport and energy networks, education and training, as well as GALILEO (EUR 860 million) and the EIT. The other EUR 46.9 billion will support structural and cohesion policy.

This heading is allocated EUR 50.3 billion in payments. With 44.9% of the Union's budget, this heading has become, for the first time, the European Union's priority with a budget superior to that of agriculture. It includes 2 sub-headings:

- **Heading 1a – Competitiveness for Growth and Employment**: in 2008, the EU budget will allocate EUR 11.086 billion (+18.3% from 2007) to boost the Union's competitiveness. Of this amount earmarked for competitiveness, EUR 6.1 billion will go to research (+11%), EUR 1.9 billion to energy and transport networks (+92.5%) and EUR 1 billion to education and training (+9.3%).
- **Heading 1b - Cohesion for growth and employment**: EUR 46.9 billion (+3.1%) to foster prosperity and economic cohesion across Europe's regions. This amount has increased by 9.5% from 40.5 billion in 2007.

Heading 2 – Preservation and management of natural resources: financial support for the preservation and management of the Union's natural resources remains fairly stable at **EUR 55 billion**, but with growing emphasis on environmental policy (+ 12 %) and on rural development (+ 4.5 %). The 2008 commitments for natural resources will also reflect the changes in the Union's spending priorities. As a result of recent reforms in European agriculture, the allocations for market expenditure and direct aids will decrease by 3.4% in comparison to 2007 and will amount to EUR 40.88 billion. This decrease is partly offset by increases in the commitments for rural development (+4.5%) and the environment (+12.0%). This will see EUR 267 million go to the EU's environmental protection programme LIFE+ and EUR 12.9 billion for rural development.

Heading 3 – Citizenship, Freedom, Security and Justice: **with 1.343 billion in commitments** (and 1.242 billion in payments) heading 3 only represents 1% of the budget but has made considerable progressed compared to 2007 in particular in terms of consumer protection (+14.1%) as well as actions supporting youth, culture and communication.

- **Heading 3a – Freedom, security and justice**: the EU support in the field of freedom, security and justice has grown by 16.7% compared to 2007 to reach a total of EUR 728 million. The main programmes under this sub-heading will be concentrated on fostering fundamental rights and justice, security and safeguarding liberties, and solidarity and the management of migration flows.
- **Heading 3b - Citizenship**: in 2008 this sub-heading suffered an overall reduction in commitment appropriations with 25% less expenditure compared to 2007 (sub-heading 3b is allocated EUR 615 million in commitments instead of EUR 623 million in 2007). However, it includes important increases for public health and consumer protection (+ 14.1 %), as well as supporting youth, culture (+6.1%) and communication actions (+20% MEDIA 2007) and Europe for Citizens which increases by 35%. Communication actions increase by nearly 8%. However, other programmes under the heading decrease by nearly 80% compared to 2007 in commitments (- 83 million).

Heading 4 – the EU as a global player: the budget for external actions increases by 7.3% to **EUR 7.3 billion**. Within this heading, the Common Foreign and Security Policy grows by almost 80 %, to EUR 285.25 million, in particular, to cover operations in Kosovo. Importance increases are also included for pre-accession programmes (+14%) and for the EU's neighbourhood policy (+10.2%). Payment appropriations amount to EUR 8.12 billion (+10.3% increase compared to 2007). Increases under the Stability Instrument (+29%) and the external environmental policy (+60%) are also noted.

Heading 5 – Administration: the budget for administration grows by 4.4% to **EUR 7.28 billion** (in commitments and payments). Since 2004, the number of Member States has increased from 15 to 27, which has had an important effect on the workload and staffing requirements of the institutions.

Heading 6 – Compensation: as Bulgaria and Romania enter their second year of EU membership, budgetary compensation is gradually reduced to **EUR 206.6 million**, as agreed during the accession negotiations. This will ensure that both Member States will have a positive budgetary balance during the first years after accession.

2008 budget: section III, Commission

2007/2019(BUD) - 26/11/2007 - Council amended draft budget

Following its meeting with the European Parliament (see Council activities dated 23 November 2007), the Council carried out a **second reading of the draft general budget of the European Communities for 2008**, including the consequences of the outcome of the conciliation meeting concerning the clearance of the accounts.The Council accepts the Preliminary Draft Amending Budget No. 7/2007 as well as the Letter of Amendment No. 2/2008 as proposed by the Commission.

Budget amounts:

- Commitment appropriations in the 2nd reading: EUR 127 815 524.354;
- Payment appropriations in 2nd reading: EUR 118 561 617.979 EUR (0.94% of GNI).

The 2nd reading of the budget fixes the total amount for payment appropriations (absolute figures) for the 2008 budget at EUR 120 346.76 million, including the payment appropriations in 2008 for the Galileo project and a reduction of EUR 300 million in appropriations regarding clearance of accounts in comparison to the PDB.

These amounts shall be revised through the revision of the Multiannual Financial Framework 2007–2013 in accordance with the Interinstitutional Agreement of 17 May 2006. The Council asks the Commission to submit an amending budget if the appropriations entered in the 2008 budget are insufficient to cover expenditure under sub-Heading 1a (Competitiveness for growth and employment), sub-Heading 1b (Cohesion for growth and employment) and Heading 2 (Market related expenditure and direct payments) as well as Heading 5 (Administration).

In assessing the outcome of the European Parliament's first reading of the Draft Budget for 2008, the Council was guided by the following principles:

- compliance with the annual expenditure ceilings set by the Multiannual Financial Framework;

- a limited and controlled growth of the volume of payment appropriations taking into account in particular the constraints upon national budgets;

- taking into account the latest priorities since the establishment of the Draft Budget for 2008 in July;

- 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's using conditional reserves in what it considers to be a breach of the Financial Regulation;

- reiteration of the agreement already reached in July with the European Parliament on four joint statements regarding the Structural and Cohesion Funds and rural Development 2007-2013 programme, the Recruitment in relation with the 2004 and 2007 enlargement, the Assigned revenues and the Decentralised agencies (*see Council doc. 11781/07* – draft budget).

The Council held a discussion encompassing the Draft Budget for 2008, as amended and accompanied by proposals for modifications, as well as on Letter of Amendment No. 2 to the Preliminary Draft Budget for 2008.

The Council agreed on the following positions by a **qualified majority**:

a) to maintain the Draft Budget established by the Council with regard to competitiveness for growth and employment (sub-Heading 1a of the Financial Framework). The Council asks the Commission to submit an amending budget if the appropriations entered in the 2008 budget are insufficient to cover expenditure under sub-Heading 1a (Competitiveness for growth and employment), sub-Heading 1b (Cohesion for growth and employment) and Heading 2 (Market related expenditure and direct payments);

b) to maintain the Draft Budget established by the Council with regard to cohesion for growth and employment (sub-Heading 1b of the Financial Framework);

c) with regard to preservation and management of natural resources (Heading 2 of the Financial Framework), to approve Letter of Amendment No. 2 to the Preliminary Draft Budget for 2008 and with regard to the budget line related to Clearance of accounts to reduce the appropriations by EUR 300 million in comparison to the PDB; to restore the amounts of the PDB regarding the other budget lines related to Agriculture which are not affected by Letter of Amendment No. 2; to maintain the Draft Budget established by the Council with regard to the other budget lines of Heading 2 not related to agriculture (Agencies);

d) to accept the total amount and the posts included in the European Parliament's amendment regarding the Frontex Agency with a different splitting between administrative and operational appropriations and no appropriations in the reserve; to maintain the Draft Budget established by the Council with regard to the other budget lines in the field of freedom, security and justice (sub-Heading 3a of the Financial Framework);

e) to maintain the Draft Budget established by the Council with regard to citizenship (sub-Heading 3b of the Financial Framework);

f) to maintain the Draft Budget established by the Council with regard to the EU as a global partner (Heading 4 of the Financial Framework) as modified by the Letter of Amendment No. 1/2008; as regards CFSP, to include, on top of the appropriations retained in the Draft Budget, an additional amount of EUR 85 million for the CFSP mission in Kosovo;

g) to maintain the Draft Budget established by the Council with regard to administrative expenditure (Heading 5 of the Financial Framework), apart from the European Parliament amendments to its own section of the budget ("Gentlemen's Agreement") and to the European Economic and Social Committee, which were accepted.

2008 budget: section III, Commission

2007/2019(BUD) - 26/10/2007 - Document attached to the procedure

PURPOSE: to present the Commission’s amending letter 2/2008 to the preliminary draft budget 2008 which aims to **update the estimated needs for agricultural expenditure**.

CONTENT: the Interinstitutional Agreement on budgetary discipline and sound financial management provides that, "if it considers it necessary, the Commission may present to the two arms of the budgetary authority an ad hoc letter of amendment to update the figures underlying the estimate of agricultural expenditure in the preliminary draft budget (PDB) and/or to correct, on the basis of the most recent information available concerning fisheries agreements in force on 1 January of the financial year concerned, the amounts and their breakdown between the appropriations entered in

the operational items for international fisheries agreements and those entered in reserve." This letter of amendment must be sent to the budgetary authority by the end of October.

In accordance, the Commission presents herewith this amending letter (AL No 2/2008) to the preliminary draft budget 2008, containing 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 sector since the PDB was drawn up, revised estimates of needs for direct payments, as well as any proposals, which are expected to have effect during the coming budget year. The AL comprises also an update as regards international fisheries agreements.

The AL is based, in the same way as the PDB itself, on the needs of the Community as a whole. As far as the market measures are concerned, no breakdown of the appropriations between Member States is available. In addition, it must be stressed 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 actual market conditions, on the actual euro-dollar exchange rate, and on the rhythm of the payments by Member States.

Since this is compulsory expenditure, whatever the amount a Member State is obliged to pay in accordance with the regulations – within the limits set by the financial framework - will be reimbursed in full.

The euro-dollar rate used, in accordance with Council Regulation No 1290/2005 on the financing of the Common Agricultural Policy, is based on the average rate observed between 1 July and 30 September 2007. It comes to 1.37 (EUR 1=USD 1.37) and results in **an increase in needs of about EUR 17 million compared to the PDB**.

Overall appropriations for Heading 2 are estimated at EUR 55 305.5 million, leaving a margin of EUR 3 494.5 million in commitment appropriations below the corresponding ceiling of the Financial Framework. The appropriations for agricultural expenditure (including veterinary and fish expenditure financed under FEAGA) amount to EUR 41 166.5 million, a reduction of EUR 1 332.5 million compared to the PDB 2008.

This saving results, from a

- downward revision for the needs for intervention on agricultural markets (chapter 05 02 - EUR 659 million) because of more optimistic forecasts relating to the situation in agricultural markets;
- from a transfer of EUR 362 million from direct aids to Rural Development because of the voluntary modulation requested by UK;
- from an upwards revision of the assigned revenue resulting from the milk super levy (+ EUR 64 million) and from supplementary revenue carried over from 2007 (+ EUR 248 million).

It should also be noted that for clarification and transparency purposes, some budgetary comments have been updated.

Conclusion: Heading 2 appropriations have been reduced by

- EUR 970.35 in commitment appropriations;
- EUR 1 332 million in payment appropriations.

The amount of the **PDB 2008 + AL 1+2/2008** is set out as follows: **EUR 128 409 846 987** in commitments and **EUR 120 346 758 612** in payments compared to EUR 129 380 196 987 in commitments and EUR 121 678 058 612 in payments for PDB 2008 + AL 1/2008.

2008 budget: section III, Commission

2007/2019(BUD) - 27/04/2007

This Commission document concerns the maximum rate of increase for “non-compulsory” expenditure for the 2007 budget. It states that, in accordance with Article 272(9) of the EC Treaty, the maximum rate of increase shall be **4.7 %** for the 2008 budget with the current 27 Member States.

2008 budget: section III, Commission

2007/2019(BUD) - 23/11/2007

Before proceeding with the 2nd reading of the draft budget for 2008, the Council held a **conciliation meeting** with a delegation from the European Parliament under the Inter-institutional Agreement of 17 May 2006 on budgetary discipline and sound financial management.

The European Parliament delegation was led by Mr Reimer BÖGE, Chairman of the Committee on Budgets, and comprised: Mr Kyösti **VIRRANKOSKI**, Rapporteur for the 2008 Budget (Commission), Mr Ville **ITÄLÄ**, Rapporteur for the 2008 Budget (Other institutions), Mr Salvador **GARRIGA POLLEDO**, Ms Ingeborg **GRÄSSLE**, Mr Laszlo **SURJAN**, Mr Michael **GAHLER**, Mr Margaritis **SCHINAS**, Ms Catherine **GUY-QUINT**, Mr Vladimir **MANKA**, Mr Thijs **BERMAN**, Mr Louis **GRECH**, Mr Joan **CALABUIG**, Mr Jan **MULDER**, Mr Esko **SEPPÄNEN**.

The European Parliament, the Council and the Commission agreed on the following:

- to accept Preliminary Draft Amending Budget No. 7/2007 as amended by the Commission on 12 November 2007;
- to accept Letter of Amendment No. 2/2008 as proposed by the Commission;
- to fix the amount of the CFSP budget at EUR 285.25 million in commitment appropriations for 2008 and to agree on the mobilisation of the Flexibility Instrument for this purpose for an amount of EUR 70 million;
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- to fix the total amount for payment appropriations (absolute figures) for the 2008 budget at EUR 120 346.76 million, including the payment appropriations in 2008 for the Galileo project and a reduction of EUR 300 million in appropriations regarding clearance of accounts in comparison to the PDB;
- to agree on a joint statement on the financing of the European GNSS programmes (EGNOS-GALILEO) and on the financing of the European Institute of Technology;
- to agree on a joint statement concerning transfer of appropriations related to Galileo and the Joint Undertakings (ARTEMIS, Clean sky, ENIAC and IMI);
- to agree on a joint statement on the procedure to implement the agreement reached on 23 November 2007.

Key points of the joint declarations are as follows:

1) on the **financing of the European GNSS programmes** (EGNOS-GALILEO) and on the financing of the **European Institute of Technology**. The European Parliament and the Council have taken note of the proposal made by the Commission to amend the Interinstitutional Agreement of 17 May 2006 as regards the Multiannual Financial Framework in order to provide the additional public funding required for the European GNSS programmes (EUR 2 400 million) and for the European Institute of Technology (EUR 309 million). They confirmed that the total estimated amount for Full Operational Capability of the GNSS project Galileo is **EUR 3 400 million** for the period 2007-2013. They declared that this amount should not be exceeded for the duration of the financial framework 2007-2013.

2) the institutions agreed to provide this financing by a **revision of the Multiannual Financial Framework 2007–2013** as follows: EUR 400 million will be made available within the transport related research activities financed under the 7th Research Framework Programme; EUR 200 million will be redeployed within sub-Heading 1a (refer to draft amending budget). Moreover, EUR 300 million will be made available from the margin available under sub-Heading 1a for the years 2008-2013. The ceilings for commitment appropriations under **sub-Heading 1a for the years 2008 to 2013 will be increased by an amount of EUR 1 600 million**. This increase will be offset by decreasing the ceiling for commitment appropriations under Heading 2 for the year 2007 by the same amount.

The ceiling for total payment appropriations will be adjusted to maintain an appropriate relationship between commitments and payments. The adjustment will be neutral. The revision of the financial framework will be formalised by a Decision of the European Parliament and of the Council amending the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management as regards the Multiannual Financial Framework.

The impact of the above for the budget of the year 2008 will be as follows:

- **Galileo**: commitment appropriations: EUR 940 million (EUR 151 million already included in the PDB 2008), of which EUR 50 million from transport related research activities accompanied by a mobilisation of the Flexibility Instrument for this purpose for an amount of EUR 200 million. Payment appropriations: EUR 300 million (EUR 100 million already included in the PDB 2008);
- **EIT**: commitment appropriations: EUR 2.9 million. Payment appropriations: EUR 2.9 million.

The European Parliament, the Council and the Commission agreed that the global agreement reached at the Conciliation of 23 November 2007 will be implemented only if there is an agreement on the legal basis of Galileo. In case the agreement does not fall in time to be considered by the European Parliament at the December Plenary, the European Parliament will vote a second reading in Plenary in the full respect of the ceilings set by the Interinstitutional Agreement of 17 May 2006. The European Parliament and the Council are committed to an accelerated procedure to incorporate the agreement into the 2008 budget on the basis of a proposal from the Commission as early as possible in 2008.

Lastly, the European Parliament and the Council acknowledged the Community contribution to the ARTEMIS, the Clean Sky, the ENIAC and the IMI Joint Undertakings, stemming from the 7th Framework Programme (EUR 2 666 million) for the period 2008-2013 as a maximum) as proposed by the Commission with the corresponding amount for the current Multiannual Financial Framework period foreseen in the financial programming.

They noted, however, that any future financing of the ARTEMIS, the Clean Sky, the ENIAC and the IMI Joint Undertakings will be part of the discussions in the next financial framework and that no **financial commitments can be made for the time after 2013**.

2008 budget: section III, Commission

2007/2019(BUD) - 10/09/2007 - Council draft budget

The Council established the draft budget for 2008. It used the preliminary draft budget of the European Communities for 2008, submitted by the Commission, as the basis for establishing the draft budget.

In keeping with the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and budgetary management, a conciliation meeting between the Council and a delegation from the European Parliament, with the participation of the Commission, was held on 13 July 2007, prior to the discussions in the Council.

As a result of the Council's discussions, the aggregate expenditure of the draft budget amounts to :

- **Appropriations for commitments: EUR 128 401.21 million** (including non-compulsory expenditure of EUR 84 909.92 million);
- **Appropriations for payments: EUR 119 410.25 million** (including non-compulsory expenditure of EUR 75 914.73 million).

Under the draft budget for 2008 established by the Council, commitment appropriations increase by 1.44% compared to the 2007 budget and payment appropriations by 3.39%. The rate of increase in non-compulsory expenditure (NCE) for the draft budget for 2008 is 3.58% in commitments and 6.91% in payments. The total payment appropriations provided for in the draft budget for 2008 correspond to **0.95% of Community GNI**.

In establishing the draft budget for 2008, the Council followed a number of guidelines:

A. Generally

- the draft budget for 2008, resulting from the first reading in the Council: i) shows due regard to the Interinstitutional Agreement of 17 May 2007; ii) takes into account the Council's conclusions on the budget guidelines for 2008;
- particular care was taken to: i) apply budgetary discipline to all parts of the budget; ii) provide adequate funding for the European Union's various priorities, taking into account absorption capacities and past implementation rate; iii) ensure controlled growth of payment appropriations in comparison with 2007, taking into account absorption capacities and past implementation rate; iv) leave adequate margins below the ceilings for the Headings of the Financial Framework, except for sub-Heading 1b, in order to cope with unforeseen situations.

The establishment of the draft budget for 2008 was, moreover, guided by the following principles:

- applying the key principle of assessing the well-defined and real needs to be financed in 2008 based on the detailed analysis of the needs in all policy areas, in particular by an in-depth analysis of a set of activity statements;
- approach regarding administrative expenditure based on both horizontal criteria, such as efficiency gains, and on each institution's own specificities, in particular in terms of the granting of new posts for enlargement;
- ensuring limited and controlled growth of appropriations for decentralised agencies by applying different uniform criteria linked to their state of development:
- "settled agencies": increase in comparison with the 2007 budget limited to 2% and acceptance of 25% of the new posts requested;
- "growing agencies": 50% of the increase requested in comparison with the 2007 budget and acceptance of 50% of the new posts requested;
- "new agencies": 75% of the increase requested in comparison with the 2007 budget and acceptance of 75% of the new posts requested;
- examination in the autumn, as provided for in the Interinstitutional Agreement, of a Letter of Amendment concerning agricultural expenditure and International Fisheries Agreements, in order to take account of the updated estimates of requirements, without ruling out a limited reduction in appropriations in these fields.

Other issues were covered in a general manner: the Council retained the Preparatory Actions and Pilot Projects proposed by the Commission; a set of activity statements covering a large range of political areas was specifically examined in depth by delegations in close contact with the Commission representatives. It was noted that globally the quality of the activity statements was improved and that their relevance for the budgetary procedure was enhanced. In general, each activity statement provided a clear picture of the justification of the activity and of its added value, sufficient to allow their use as a budgetary decision making tool.

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

Heading 1: Sustainable growth

1.a) competitiveness for growth and employment expenditure: the amount for this heading is set at **EUR 9.504 billion** which represents a decrease of EUR 266.4 million compared to the Commission’s PDB. This heading is characterised by the following elements:

- to limit the increase of commitment appropriations requested in the PDB by an across-the-board reduction of EUR 250 million on all budget lines of this sub-Heading (except budget lines related to Preparatory Actions, Pilot Projects, the Accession Treaty, in particular decommissioning of nuclear installations, and Agencies, budget lines below EUR 1 million and some specific lines, in particular relating to Galileo, EIT and the International Fund for Ireland) in order to take into account the trend of the implementation of the new programmes;
- to transfer the commitment appropriations for Galileo into the reserve, pending a decision on this issue;
- to limit the increase in appropriations in comparison to 2007 for subsidies for decentralised agencies (-EUR 16.42 million) and to accept a total of 126 new temporary posts as follows: European Medicines Agency: 17 temporary posts; Chemicals Legislation and European Chemicals Agency: 90 temporary posts; Gender Equality Institute: 4 temporary posts; European Foundation for the Improvement of Living and Working Conditions: 2 temporary posts; European Agency for Safety and Health at Work: 1 temporary post; European Maritime Safety Agency: 6 temporary posts; European Railway Agency for Safety and Interoperability: 3 temporary posts; Galileo Supervisory Authority: 2 temporary posts; European Centre for the Development of Vocational Training: 1 temporary post;
- to set the level of payment appropriations by reducing the amounts requested in the PDB by a similar across-the board reduction as for the commitment appropriations on the relevant budget lines by a total amount of EUR 532 million.

Therefore, the global level of appropriations under sub-Heading 1a remains very important with an increase of 7.2% in commitments and 27.2% in payments in comparison to the 2007

budget, the increase retained for Research being highly significant with an increase of 7.7% in commitments and 45.5% in payments.

In parallel, the Council asks the Commission to submit an amending budget if the appropriations entered in the 2008 budget are insufficient.

The margin available under sub-Heading 1a would be EUR 342.99 million.

1.b) Cohesion for growth and employment expenditure: the Council accepts the PDB as regards commitment appropriations (**EUR 46.878 billion**). It also set the level of payment appropriations by reducing the amounts requested in the PDB by a total amount of EUR 498 million on the budget lines related to the completion of the 2000-2006 programmes (-EUR 298.8 million) and the 2007-2013 programmes (-EUR 199.2 million), taking into account the

current trend of completion or implementation of these programmes. Therefore, by doing that, the global level of payment appropriations remains very significant with an increase of 6.2 in comparison with the 2007 budget. The Council asks the Commission to submit an amending budget if the appropriations entered in the 2008 budget are insufficient.

The margin available under sub-Heading 1b would be EUR 11.06 million.

Heading 2: Expenditure for preservation and management of natural resources: the amount under this heading is set at **EUR 55.723 billion**, that is EUR 553 million less than the PDB. The Council aims:

- to retain a specific reduction in commitment and payment appropriations requested in the PDB by a total amount of EUR 200 million on the budget line related to clearance of accounts;
- to retain a limited reduction in commitment and payment appropriations requested in the PDB by an amount of EUR 350 million by an across-the-board reduction on all budget lines of Chapter 05 02 (Interventions in agricultural markets) except budget lines related to food programmes, free distribution of fruit and vegetables and school milk. These reductions are globally close to the figures resulting from the final past implementation. They are in line with the overall approach of ensuring a controlled growth in payment appropriations , in which it is proposed to include compulsory expenditure (Heading 2) and non-compulsory expenditure (sub-Headings 1a and 1b);
- to limit the increase in appropriations in comparison to 2007 for subsidies for decentralised agencies (-EUR 3.15 million in commitments and payments) and to accept a total of 8 new temporary posts as follows: European Environment Agency: 2 temporary posts; Community Fisheries Control Agency: 6 temporary posts.

The margin available under Heading 2 would be EUR 3 077.32 million.

Heading 3: Citizenship, freedom, security and justice: this heading amounts to **EUR 1.27 billion** in commitments (EUR 19 million less than the 2008 PDB) which is split into 2 headings:

3.a) Freedom, security and justice: the Council proposes to:

- to limit the increase in commitment appropriations requested in the PDB for the Prince programme by a reduction of EUR 1 million;
- to limit the increase in appropriations in comparison to 2007 for subsidies for decentralised agencies (-EUR 3.30 million) and to accept a total of 24 new temporary posts as follows: European Agency for the Management of Operational Cooperation at the External Border (Frontex): 15 temporary posts; European Union Agency for Fundamental Rights: 2 temporary posts; Eurojust: 7 temporary posts);
- to set the level of payment appropriations by reducing slightly the amounts requested in the PDB on the relevant budget lines by a total amount of EUR 15 million, in line with absorption capacities and past implementation rate.

The margin available under sub-Heading 3a would be EUR 60.27 million.

3.b) Citizenship: under this heading, the Council has provided:

- to retain a reduction in commitment appropriations requested in the PDB under Chapter 16 02 (Communication and the media) and Chapter 16 03 ("Going local" communication) by a total amount of EUR 5 million;
- to limit the increase in appropriations in comparison to 2007 for subsidies for decentralised agencies (-EUR 9.55 million) and to accept a total of 38 new temporary posts as follows: European Centre For Disease Prevention and Control: 20 temporary posts; European Food Safety Authority: 18 temporary posts;
- to set the level of payment appropriations by reducing slightly the amounts requested in the PDB on the relevant budget lines by a total amount of EUR 35 million, in line with absorption capacities and past implementation rate.

The margin available under sub-Heading 3b would be EUR 31.06 million.

Heading 4: expenditure relating to the EU as a global partner: the Council foresees an overall amount of **EUR 7.129 billion** in commitments (an increase of EUR 217 million compared to the 2008 PDB). It decided:

- to retain an increase in commitment appropriations requested in the PDB by a total amount of EUR 260 million regarding Palestine (+EUR 80 million) and Kosovo (+EUR 180 million), bearing in mind their political importance. These amounts are entered in the reserve;
- to accept as a minimum precaution the CFSP budget as proposed in the Preliminary Draft Budget which is fully in line with the amount foreseen in the IIA of 17 May 2006. However, depending on the evolution of the international situation, the amount retained at this stage for the CFSP budget might not well be sufficient;
- to transfer into the reserve part of the commitment appropriations regarding international agreements and membership of international in the field of public health and tobacco control, pending a decision on this issue;
- to retain specific reductions in commitment appropriations requested in the PDB taking into account absorption capacities and past implementation rate, geographical programmes being excluded: by a total amount of EUR 18.50 million regarding the Instruments for pre-accession of which IPARD (-EUR 8.50 million) and IPA (-EUR 10 million); - by a total amount of EUR 10.50 million regarding the evaluation of results (-EUR 6 million), the coordination and promotion of awareness (-EUR 1.50 million) and the Prince programme (-EUR 3 million); by an amount of EUR 13.40 million regarding the regional and horizontal programmes;
- to set the level of payment appropriations by reducing the amounts requested in the PDB on the relevant budget lines by an amount of EUR 125 million in line with absorption capacities and past implementation rate and by an amount of EUR 239.22 million regarding the Emergency Aid Reserve.

The margin available under Heading 4 would be EUR 112.20 million.

Heading 5: Administration: the draft budget intends to set an appropriate level for the administrative budget of each institution taking into account their own specificities and their

real and justified needs. The Council also decided to accept new posts requested in relation to the 2004 and 2007 enlargement. In this context, the Council reiterated its willingness to monitor closely the ongoing recruitment process. In this context, a joint statement on recruitment in relation with the

2004 and 2007 enlargement was also agreed. It agreed to accept only a few new posts requested by the institutions for new tasks on the basis of justified needs and to accept conversions, transformations and upgradings related to career development under the Staff Regulations.

Regarding executive agencies, the Council underlined that their setting-up or their extension should really entail savings and should not contribute to an overall increase of the Commission's administration. In this context, a reduction of EUR 2.98 million is proposed in 2008 corresponding to the salaries of 37 freed temporary posts in relation to executive agencies that should have been frozen instead of being redeployed. This proposal is based on the principle that all posts that are or will be freed within the Commission as a result of tasks transferred to an executive agency should not constitute an additional administrative burden. This means that in addition to the freezing of all Commission posts transferred to the executive agency, all freed posts should be frozen and not give rise to a double financing.

As regards the creation and extension of executive agencies a joint statement on executive agencies was also agreed. The Council made also a thorough examination of the issue related to assigned revenues. It considers that it is important to improve the transparency and the sound financial management in this field, in particular in decentralised agencies.

The margin available under Heading 5 would be EUR 266.76 million.

Heading 6: Compensation: the Council has decided to accept the PDB for this heading (**EUR 206.636 million**) and set the margin available under this Heading at EUR 0.35 million.

Heading 7: revenue: the Council decided to accept the PDB subject to the technical adjustments arising from the changes made to expenditure and staff in the draft budget for 2008.

2008 budget: section III, Commission

2007/2019(BUD) - 09/10/2007 - Amending/supplementary letter on draft budget

To recall, on 18 September 2007, the Commission forwarded to the Council Letter of Amendment No. 1 to the Preliminary Draft Budget for the financial year 2008.

This Letter of Amendment concerns expenditure under Section III – Commission – of the Community budget and covers the following elements:

- inclusion of additional funds for an amount of EUR 120 million in commitment appropriations and EUR 60 million in payment appropriations, to support the stability and development of Kosovo;
- inclusion of additional funds for an amount of EUR 142 million in commitment appropriations and EUR 85 million in payment appropriations to support the Palestinian Authority;
- creation of a new budget Article 03 03 02 (Damage requests resulting from legal procedures against the Commission's decisions in the field of competition).

On 9 October 2007, the Council established Letter of Amendment No. 1 to the Draft Budget for 2008 **as proposed by the Commission with the exception of the creation of the new budget Article in the field of competition**.

As a consequence, Article 19 08 04 regarding "Aid to Kosovo" as approved in the Draft Budget for 2008 was also deleted.