

## European Parliament decision on the conclusion of an interinstitutional agreement on budgetary discipline and sound financial management (17 May 2006)

**Caption:** On 17 May 2006, in Strasbourg, the European Parliament approves the interinstitutional agreement on budgetary discipline and sound financial management which sets out the terms for the implementation of the financial perspective 2007–2013.

**Source:** Europarl - Activities - Texts adopted. European Parliament decision on the conclusion of an interinstitutional agreement on budgetary discipline and sound financial management. [ON-LINE]. [Brussels]: European Parliament, [23.05.2006]. P6\_TA-PROV(2006)0210. Available on

[http://www.europarl.europa.eu/omk/sipade3?SAME\\_LEVEL=1&LEVEL=1&NAV=X&DETAIL=&PUBREF=-//EP//TEXT+TA+P6-TA-2006-0210+0+DOC+XML+V0//EN](http://www.europarl.europa.eu/omk/sipade3?SAME_LEVEL=1&LEVEL=1&NAV=X&DETAIL=&PUBREF=-//EP//TEXT+TA+P6-TA-2006-0210+0+DOC+XML+V0//EN).

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## European Parliament decision on the conclusion of an interinstitutional agreement on budgetary discipline and sound financial management (17 May 2006)

*The European Parliament,*

- having regard to the EC Treaty, and in particular Article 272 thereof,
- having regard to the Interinstitutional Agreement of 6 May 1999 between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure<sup>(1)</sup>, and in particular point 26 thereof,
- having regard to its resolution of 8 June 2005 on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013<sup>(2)</sup>,
- having regard to its resolution of 1 December 2005 on the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure<sup>(3)</sup>,
- having regard to its resolution of 18 January 2006 on the European Council's position on the Financial Perspective and the renewal of the Interinstitutional Agreement 2007-2013<sup>(4)</sup>,
- having regard to the Commission working document: Proposal for renewal of the Interinstitutional agreement on budgetary discipline and improvement of the budgetary procedure (COM(2004)0498),
- having regard to the Commission working document: Contribution to the Interinstitutional negotiations on the proposal for renewal of the Interinstitutional agreement on budgetary discipline and improvement of the budgetary procedure (COM(2006)0075),
- having regard to the Commission working document: Revised proposal for renewal of the Interinstitutional agreement on budgetary discipline and improvement of the budgetary procedure (COM(2006)0036),
- having regard to the Communications from the Commission to the Council and the European Parliament of entitled "Building our common future: Policy challenges and budgetary means of the Enlarged Union 2007-2013" (COM(2004)0101), and of entitled "Financial Perspectives 2007-2013" (COM(2004)0487) and to the Commission working document entitled "Technical adjustments to the Commission proposal for the multiannual financial framework 2007-2013" (SEC(2005)0494),
- having regard to the joint declaration on guidelines for legislative proposals related to the 2007-2013 multi-annual financial framework agreed on 18 October 2005,
- having regard to the conclusions of the European Council of 15-16 December 2005 (doc. 15915/05, CADREFIN 268),
- having regard to the trilogues of 23 January 2006, 21 February 2006, 21 March 2006 and 4 April 2006,
- having regard to the draft Interinstitutional Agreement on budgetary discipline and sound financial management annexed to this decision,
- having regard to Rule 120(1) and Section IV, points (1) and (2), and Section XVIII, point (4), of Annex VI thereto,
- having regard to the report of the Committee on Budgets and the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Budgetary Control, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Fisheries, the Committee on Culture and Education and the Committee on Civil Liberties, Justice and Home Affairs (A6-

0150/2006),

– having regard to the report of the Committee on Constitutional Affairs (A6-0144/2006),

A. whereas the European Parliament, the Council and the Commission have concluded negotiations on a new Interinstitutional Agreement on budgetary discipline and sound financial management for the period 2007-2013 (hereinafter referred to as "the draft agreement"),

B. whereas, in accordance with point 26 of the Interinstitutional Agreement of 6 May 1999, the Commission initiated the process of preparing the new Financial Perspective and the new Interinstitutional Agreement by presenting proposals on 10 February and 14 July 2004,

C. whereas, following the adoption by Parliament of its negotiating position on 8 June 2005 and following the agreement achieved by the Member States in December 2005, the Commission presented a revised proposal for the new Interinstitutional Agreement and technical documents on the impact of the European Council conclusions, allowing the negotiations to start on a fair basis,

D. whereas Parliament was determined to achieve a sustainable multi-annual financial framework reflecting adequate means for policy requirements for the years to come and appropriate instruments and reforms to improve implementation,

E. whereas implementation of the multi-annual programmes to their full amounts is conditional upon an accurately timed conclusion of the Interinstitutional Agreement and the financial framework,

F. whereas Parliament was the only institution which developed an overall strategy and carried out a complete and in-depth analysis of the needs in order to identify political priorities compared to the Council's approach based on ceilings and percentages,

G. whereas the report of the Committee on Budgets gives a positive assessment of the political and financial choices made in the draft agreement,

H. whereas the draft agreement does not seem to raise any problems of incompatibility with primary European law and fully respects the budgetary prerogatives of Parliament,

I. whereas the draft agreement does not seem to conflict in any respect with Parliament's Rule of Procedure; however, the question may be raised as to whether it would not be prudent to make some amendments to the Rules of Procedure, in particular to Annex IV thereto, in order to allow Parliament's involvement in a number of specific procedures provided for in the draft agreement to take place under the best possible conditions; this could in particular be the case as regards the procedures concerning:

- adjustments connected with excessive government deficits,
- revision of the financial framework,
- mobilisation of the Emergency Aid Reserve,
- mobilisation of the European Union Solidarity Fund,
- mobilisation of the Flexibility Instrument,
- mobilisation of the European Globalisation Adjustment Fund,
- adjustment of the financial framework to cater for enlargement,

1. Recalls that for the first time since the Financial Perspective came into existence, Parliament has carried out over eight months of deliberations within a temporary committee set up for this purpose and adopted a comprehensive negotiating position based on three pillars aimed at:

- matching political priorities and financial needs;
- modernising the budget structure;
- improving the quality of implementation of the EU budget;

2. Recalls that it rejected the European Council's conclusions of December 2005 in their current form, considering that they do not provide the EU with the quantitative and qualitative means to face future challenges, and called on the Council to secure a real mandate to negotiate with Parliament;
3. Recalls its disappointment at the manner in which the agreement in the European Council was achieved, with individual national interests, rather than the common European objectives, becoming the central point of negotiations;
4. Points out that it indicated on many occasions its willingness to enter into constructive negotiations with the Council on the basis of respective positions with a view to reaching an agreement based on acceptable quantitative and qualitative improvements within a realistic timeframe;
5. Considers that the agreement reached by the three institutions on 4 April 2006 was the only possible compromise that Parliament could achieve, within the magnitude of the negotiations, for a multi-annual Budget with a view to guaranteeing the continuity of EU legislation, ensuring sound financial management of EU funding and maintaining Parliament's legislative and budgetary powers over the next period;
6. Welcomes the decision of the European Council to invite the Commission to undertake a full, wide-ranging review of all aspects of EU spending and resources; insists that, as the budgetary partner of the Council, it intends to participate in this review with the aim of reaching agreement on a new, comprehensive financial system which is fair, buoyant, progressive and transparent and which equips the Union with the ability to match its aspirations with own resources rather than contributions by the Member States;
7. Welcomes the agreement reached, and in particular the progress achieved under the three pillars of its negotiating position:

*Matching political priorities and financial needs through:*

- an increase of EUR 4 billion for policies agreed by the European Council of December 2005, to be directly allocated to programmes in Headings 1a, 1b, 2, 3b and 4,
- a substantial increase in the EIB reserve of EUR 2,5 billion to be made available by the Member States under a new scheme of co-financing between the EIB and the EU Budget with a view to reinforcing the leverage effect of the EU budget in the areas of Research and Development, TENs and SMEs up to a total of EUR 60 billion,
- the financing of non-programmed needs such as the Emergency Aid Reserve (EUR 1,5 billion) and the EU Solidarity Fund (up to EUR 7 billion) outside the financial framework by supplementary resources called from the Member States, if needed,
- the financing of the European Globalisation Adjustment Fund (up to EUR 3,5 billion) by re-use of cancelled appropriations, outside the financial framework;

*Improving the budget structure by more flexibility through:*

- maintenance of an overall amount of EUR 1,4 billion for flexibility over the period, financed, in case of utilisation, by supplementary resources to be called from the Member States, with the possibility to carry over the annual amount (EUR 200 million) in case of non-utilisation to the next two years and a new possibility to use the instrument for the same needs for more than one year,
- the possibility for the newly elected Parliament to assess the functioning of the Interinstitutional Agreement and the financial framework by the end of 2009 on the basis of a report which the Commission unilaterally undertook to present, accompanied where necessary by proposals;

*Improving the quality of implementation of EU funding and preserving Parliament's prerogatives through:*

– inclusion of principles of proportionality and user-friendly procedures in the revised Financial Regulation, the responsibility of Member States in shared management activities for a better internal control of EU funding, the requirement to introduce a co-financing mechanism with the EIB to reinforce the leverage effect of EU policies, the involvement of Parliament in the financial programming and the financing of new agencies without prejudicing operational programmes,

– the full participation of Parliament in the wide-ranging review, an increased participation of Parliament in the CFSP decision-making process and more democratic scrutiny in external actions;

8. Is nevertheless aware of the fact that a number of deficits are still unresolved in the outcome of the negotiations; considers that these deficits should be addressed in the 2008-2009 review and, where possible, in the course of the annual budgetary procedures; points out that in particular the system of own resources as well as the expenditure side need to be reformed urgently in order to avoid the same painful experience of national bargaining for the next financial framework;

9. Confirms its opinion that all future financial frameworks should be established for a period of five years compatible with the mandates of the Parliament and the Commission;

10. Recalls that its position, as laid down in its aforementioned resolution of 8 June 2005, remains the objective which would guarantee an optimal level of funding and further reforms in order to fulfil the ambitions of the European Union;

11. Recalls that it will be necessary to introduce secure transitional arrangements in the event that the Constitutional Treaty comes into force before the end of the new financial framework;

12. Expects the reforms set down in the next Interinstitutional Agreement to have a rapid effect on the qualitative implementation of the Budget, including the reduction of the administrative burden, as well as a visible impact for European citizens by facilitating their access to EU funding;

13. Accepts the budgetary and financial implications of the new Interinstitutional Agreement;

14. Stresses that the opinions of the specialised committees have provided useful support during the negotiations; considers that the IIA, as agreed, addresses most of the requests of the specialised committees in qualitative and/or quantitative terms;

15. Approves the text of the draft agreement annexed to this decision;

16. Asks its competent committee to examine the extent to which it would be appropriate to modify the Rules of Procedure, and in particular Annex IV thereto, so as to enable Parliament to participate in the specific procedures provided for in the draft agreement under the best possible conditions;

17. Instructs its President to forward this decision to the Council and Commission, for information.

<sup>(1)</sup> OJ C 172, 18.6.1999, p. 1. Agreement as last amended by Decision 2005/708/EC of the European Parliament and of the Council (OJ L 269, 14.10.2005, p. 24).

<sup>(2)</sup> Texts Adopted, P6\_TA(2005)0224.

<sup>(3)</sup> Texts Adopted, P6\_TA(2005)0453.

<sup>(4)</sup> Texts Adopted, P6\_TA(2006)0010.

[Annex]