

European Commission press release on the financial perspective 2007–2013 (1 February 2006)

Caption: On 1 February 2006, the European Commission submits a revised proposal for a renewed Interinstitutional Agreement on budgetary discipline and the improvement of the budgetary procedure for the period 2007–2013. The Commission's Press Service outlines the key points of such an Agreement.

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Financial perspectives 2007-2013: The road towards having European programmes operational on January 1st 2007

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Increased flexibility in future budgets in order to better react to a rapidly changing world (almost 5 bln EUR over the 2007-13 period); establishing basic rules for the new European Globalisation Adjustment Fund (EUR 3,5 bln); a comprehensive review of the EU budget in 2008/9 – these are major new elements in the Commission proposal for a renewed Inter-Institutional Agreement (IIA). "With this proposal the way is now cleared for a constructive negotiation between the Parliament, the Council and the Commission", commented Commission President José Manuel Barroso. "We need to have an agreement by April. Everyone understands very well that otherwise the execution of many EU programmes will be problematic as from 1st of January 2007. We have to act fast while being prudent, responsible and realistic. The credibility and effectiveness of the enlarged Union is at stake" added Dalia Grybauskaitė, EU Commissioner for Financial programming and Budget.

After the agreement reached by the Member States in the European Council last December, several important steps still need to be taken regarding a final agreement of the three EU institutions on the Financial Perspectives for the period 2007-13. The negotiations should be finalised swiftly to ensure that European programmes are ready to benefit European citizens as from the first day of 2007. The Commission today is proposing to the Council and the European Parliament a base for advancing negotiations in the form of a proposal for an Inter-Institutional Agreement on budgetary discipline and improvement of budgetary procedure. After a final agreement is reached on this text, all legislative instruments relating to the various policy areas and programmes will have to be revised to reflect the result of the negotiation and adopted by Council and Parliament. The Commission will then have to move fast to ensure the actual programming of actions. This is a challenge for all three institutions, which they need to tackle jointly and urgently.

A new Inter-Institutional Agreement (IIA)

The *Inter-Institutional Agreement (IIA)* establishes rules and mechanisms for the management of the financial framework over a 7 year period and for the setting up of annual budgets. It has to be agreed by the Council, the European Parliament and the Commission. Without this agreement financing will not be available for the programmes proposed for the enlarged Union and execution of up to half of the EU budget might be jeopardised.

The Commission's proposal contains important elements which form part of the *Inter-Institutional Agreement* to be negotiated:

– The Commission wants to ensure sufficient flexibility in the future budgets. Today, the flexibility instrument is limited to EUR 200 million a year and is in practice used almost exclusively in the area of external actions. In line with the European Council conclusions (paragraph 7) the Commission proposes today to increase the amount of the **flexibility instrument** up to EUR 700 million a year and to give it a broader scope, covering not only annual unexpected needs but also new multi-annual requirements. Flexibility is an essential corollary to financial discipline, all the more so when expenditure ceilings are tight.

– The proposed *IIA* also includes the basic rules of the **European Globalisation Adjustment Fund**. This initiative was put forward by the President Barroso before Hampton Court summit and has been endorsed by the European Council (paragraph 12 of the December conclusions). Europe indeed needs to ensure that citizens fully benefit from the opportunities provided by today's global economy. It also needs to have the means to support those workers suffering from the consequences of major structural changes in world trade patterns, to assist them with their re-training and job search efforts. The Commission will shortly provide a full legislative proposal detailing the functioning of this fund.

Finally, there is widespread agreement on the need to ensure a **comprehensive review** of our budget, how it is established and how it is spent. The Commission's proposal has been endorsed by the European Council (paragraph 80 of the conclusions) and is therefore reflected in the proposed *IIA*. This exercise constitutes a high priority for this Commission. It will be the fruit of detailed preparation and wide consultation in which European Parliament should be deeply involved. In 2008/2009, the Commission will present to the European Parliament and to the Council a comprehensive White Paper, covering the whole structure of the budget, expenditure and revenue sides.

In 1999, when the Agenda 2000 was negotiated, it took less than two months to reach an *Inter-Institutional Agreement* with Parliament after the Berlin European Council. It is crucial to do equally well this time around. The Commission considers that this first step must be concluded by April to allow sufficient time to prepare programmes for January 2007.