

# Procedure file

Basic information		
BUD - Budgetary procedure	2004/2270(BUD)	Procedure completed
2006 budget: Commission's strategical annual priorities		
Subject 8.70.60 Previous annual budgets		

Key players				
European Parliament	Committee responsible	Rapporteur	Appointed	
	<b>BUDG</b> <a href="#">Budgets</a>		06/12/2004	
		PSE <a href="#">PITTELLA Gianni</a>		
	Committee for opinion	Rapporteur for opinion	Appointed	
	<b>AFET</b> <a href="#">Foreign Affairs</a>	The committee decided not to give an opinion.		
	<b>DEVE</b> <a href="#">Development</a>		02/12/2004	
		PPE-DE <a href="#">DEVA Nirj</a>		
	<b>INTA</b> <a href="#">International Trade</a>		18/01/2005	
		PSE <a href="#">MARTIN David</a>		
	<b>CONT</b> <a href="#">Budgetary Control</a>	The committee decided not to give an opinion.		
	<b>ECON</b> <a href="#">Economic and Monetary Affairs</a>	The committee decided not to give an opinion.		
	<b>EMPL</b> <a href="#">Employment and Social Affairs</a>	The committee decided not to give an opinion.		
	<b>ENVI</b> <a href="#">Environment, Public Health and Food Safety</a>	The committee decided not to give an opinion.		
	<b>ITRE</b> <a href="#">Industry, Research and Energy</a>	The committee decided not to give an opinion.		
	<b>IMCO</b> <a href="#">Internal Market and Consumer Protection</a>	The committee decided not to give an opinion.		
	<b>TRAN</b> <a href="#">Transport and Tourism</a>	The committee decided not to give an opinion.		
	<b>REGI</b> <a href="#">Regional Development</a>	The committee decided not to give an opinion.		
<b>AGRI</b> <a href="#">Agriculture and Rural Development</a>		20/01/2005		
	PSE <a href="#">BATZELI Katerina</a>			
<b>PECH</b> <a href="#">Fisheries</a>		14/03/2005		
	PSE <a href="#">MIGUÉLEZ RAMOS Rosa</a>			
<b>CULT</b> <a href="#">Culture and Education</a>	The committee decided not to give an opinion.			
<b>JURI</b> <a href="#">Legal Affairs</a>	The committee decided not to give an opinion.			

	<b>LIBE</b> <a href="#">Civil Liberties, Justice and Home Affairs</a>	21/02/2005	
		ALDE <a href="#">DEPREZ Gérard</a>	
	<b>AFCO</b> <a href="#">Constitutional Affairs</a>	The committee decided not to give an opinion.	
	<b>FEMM</b> <a href="#">Women's Rights and Gender Equality</a>	The committee decided not to give an opinion.	
	<b>PETI</b> <a href="#">Petitions</a>	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2646</a>	08/03/2005

### Key events

08/03/2005	Resolution/conclusions adopted by Council		Summary
15/03/2005	Vote in committee		
22/03/2005	Budgetary report tabled for plenary		
30/03/2005	Budgetary report tabled for plenary	<a href="#">A6-0071/2005</a>	
12/04/2005	Debate in Parliament		
13/04/2005	Results of vote in Parliament		
13/04/2005	Decision by Parliament	<a href="#">T6-0126/2005</a>	Summary
13/04/2005	End of procedure in Parliament		

### Technical information

Procedure reference	2004/2270(BUD)
Procedure type	BUD - Budgetary procedure
Procedure subtype	Budgetary preparation
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/6/25475

### Documentation gateway

Committee opinion	<b>LIBE</b>	<a href="#">PE355.345</a>	22/02/2005	EP	
Document attached to the procedure		<a href="#">COM(2005)0073</a>	02/03/2005	EC	Summary
Committee opinion	<b>DEVE</b>	<a href="#">PE353.657</a>	10/03/2005	EP	
Committee opinion	<b>INTA</b>	<a href="#">PE353.533</a>	14/03/2005	EP	
Committee opinion	<b>AGRI</b>	<a href="#">PE353.668</a>	14/03/2005	EP	
Committee opinion	<b>PECH</b>	<a href="#">PE355.533</a>	14/03/2005	EP	
Budgetary report tabled for plenary, 1st reading		<a href="#">A6-0071/2005</a>	30/03/2005	EP	

Budgetary text adopted by Parliament		<a href="#">T6-0126/2005</a> OJ C 033 09.02.2006, p. 0325-0482 E	13/04/2005	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2005)2124</a>	19/05/2005	EC	

## 2006 budget: Commission's strategical annual priorities

**PURPOSE:** presentation of the Annual Policy Strategy for 2006.

**CONTENT:** As the first stage of the now well established Commission's annual policy cycle, this Annual Policy Strategy establishes the policy priorities for 2006, identifies the initiatives which will help to realise them and adopts the budgetary framework so that the priorities receive the necessary resources.

Following adoption of the Annual Policy Strategy, setting the framework and guidelines for the 2006 budgetary and legislative exercises, the cycle will move on to the preparation of the preliminary draft budget and the inter-institutional dialogue.

2006 will be critical with regard to restoring growth and employment in the Union. Progress should be made on the delivery of the Lisbon Strategy, the Sustainable Development Strategy and the Social Agenda 2006-2010. In the field of Freedom, Security and Justice, a review of the Hague programme, linked to the entry into force of the Constitution, is already foreseen for the second half of 2006. As for external relations, the enlargement process will enter into a new phase; the achievements of the ongoing neighbourhood policy should be deepened.

2006 will also be a year of preparation for the institutional changes linked to the entry into force of the Constitution (on 1 November 2006). The Commission is preparing a number of legislative initiatives to ensure immediate application of the Constitution when it enters into force. The year will also be critical to prepare for the 2007-2013 financial perspective period.

At international level, issues related to peace, poverty reduction, security and stability are high on the Union's agenda.

The Annual Policy Strategy 2006 will clearly reflect the priorities underlying the Partnership for European Renewal: putting Europe back on the track of prosperity; reinforce our commitment towards solidarity; strengthen citizen's security and, lastly, the external projection and promotion of these priorities outside our borders through a stronger voice in the world.

- prosperity: priority will be given to the implementation of the refocused Lisbon Agenda in order to boost economic growth and job creation; the application of the Growth and Stability Pact; the formulation and implementation of action plans under the revised Sustainable Development Strategy; making a reality of the full employment goal of the New Social Agenda; improving the operation of the internal market; boosting investment in R&D, innovation, resource efficiency; promoting mobility in education and life-long learning.

- solidarity: focus will be on cohesion policies to pursue the goal of economic convergence by promoting growth and competitiveness and the approval of strategic guidelines for the years 2007-2013; the protection of the environment and proper management of natural resources; protection of fundamental rights and fight against discrimination, promotion of gender equality, cultural diversity; a comprehensive approach to migration issues; combating climate changes.

- security: emphasis will be on strengthening anti-terrorism efforts (cross-border exchange of information, cutting the financing of terrorism and improving assistance to victims); facilitating of legal travel for third country national within EU borders; improved cooperation between judicial, police and customs authorities; mutual recognition and free circulation of judicial decisions in civil and criminal matters; early warning and immediate response in the event of environmental, food safety and health risks; transport safety and greater security of Internet related services and networks; greater security of energy supply.

- external projection: action in 2006 will be geared towards preparing for the accession of Bulgaria and Romania and advancing on negotiations related to future enlargements; ensuring the effective implementation of the European Neighbourhood Policy; pursuing international trade negotiations at all levels; constructive engagement in the Middle East Peace Process; supporting reconstruction in Iraq, in Asia after the tsunami; upgrading the transatlantic dialogue; poverty reduction, particularly in Africa; reaffirming Europe's strong commitment to human rights; increasing European capacities to deal with crisis and global security challenges.

**FINANCIAL IMPACT:** This Annual Policy Strategy calls for an adjustment in the resources allocated to existing initiatives under categories 3 and 4 of the 2006 budget.

As far as category 4 'external actions' is concerned, amounts above the margin available will be required for aid to Iraq (EUR 200 million), to countries affected by the tsunami (EUR 175 million) and to countries affected by the sugar reform (EUR 40 million). The Commission therefore proposes the use of the flexibility instrument to ensure that the remaining needs are covered.

For heading 3 'internal policies', the new initiatives proposed by the APS 2006, still leave a margin under the ceiling of EUR 112.9 million.

Changes in financial resources in comparison with financial programming (in appropriations for commitments):

- Prosperity ? EUR 8 million
- Solidarity ? EUR 600,000
- Security ? EUR 17 million
- External projection ? EUR 357.6 million.

**HUMAN RESOURCES:** A net increase of 700 posts is called for in 2006, as well as 100 external staff as a front-loading of posts related to the future accessions of Bulgaria and Romania.

## 2006 budget: Commission's strategical annual priorities

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The Council adopted conclusions which will serve as a basis for discussion with Parliament and the Commission for drawing up the 2006 budget.

The Council reiterates the importance of compliance with the existing Financial Perspective which requires that the Community expenditure remains within the limits set therein. Sufficient margins must be maintained below all the ceilings of the various Headings with the exception of Heading 2, for the purpose of sound financial management and to deal with unforeseen circumstances.

The Council recalls the excellent spirit of cooperation that governed work on the preparation of the budgets of the previous financial years and is convinced of the importance of continuing

the good collaboration between the two arms of the budgetary authority and the Commission. The Council looks forward to continuing such an effective spirit of cooperation for the 2006 budgetary procedure.

Moreover, the Council considers that the Community budget should provide, within the Framework of the Financial Perspective, sufficient resources to implement the various policies of the Union effectively. It stresses the need to maintain overall budgetary discipline. It emphasises that this includes applying the same degree of budgetary constraint as exercised by the Member States of the Union for their own national budgets. The Council recalls the great importance of keeping a tight grip on payment appropriations. The level of payment appropriations entered into the budget should be sufficient to fulfil the different commitments undertaken by the EU, taking into account past implementation and the genuine requirements for 2006.

The Council stresses the importance of taking into account in an appropriate way, at the stage of the 2006 Preliminary Draft Budget, the financial conclusions drawn by the European Council of Copenhagen in December 2002.

As regards certain specific Headings of the Financial Perspective, the Council identifies the following elements as important in preparing the 2006 budget:

- Heading 1: the Commission is invited to present realistic forecasts regarding CAP expenditure in its Preliminary Draft Budget. Particular attention should be given to ensure that the payment appropriations for expenditure related to rural development are accurate;
- Heading 2 (structural actions): the Council considers that an accurate level of payment appropriations for structural funds should be established. It considers that improvements of forecasts established by the Commission, taking into account information provided by Member States, should be continued. It invites the Commission to provide for updated estimates in due time. Furthermore, the Council stresses the importance of further simplification of procedures aimed at facilitating implementation;
- Heading 3 (internal policies): the Council highlights the importance of an adequate financing of Community measures relating to the conclusions of the Lisbon European Council. Particular attention should also be given to the financing of actions concerning immigration and external border cooperation and control. A sufficient margin under the ceiling of this Heading should be preserved leading to reprioritisation of the needs;
- Heading 4 (external actions): the Council is of the opinion that all the programmes and actions should be financed within the ceiling of the existing Financial Perspective. It recalls that allocations for the CFSP budget should be sufficient to meet present and future needs. In view of the fact that some expenditure has been transferred to other relevant Headings, the Council believes that, after reprioritisation and reallocation of appropriations, there is room to finance additional needs for reconstruction in Iraq and South East Asian countries stricken by the tsunami disaster within the ceiling of this Heading. The Council recalls that the IIA requires that the institutions will ensure as far as possible that sufficient margins are left available for unforeseen circumstances;
- Heading 5 (administrative expenditure): the Council invites the institutions to establish rigorous draft estimates reflecting genuine needs and ensuring an adequate margin under this Heading. Moreover, it encourages significant savings resulting from rationalisation, productivity gains and development of interinstitutional cooperation.

## 2006 budget: Commission's strategical annual priorities

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The European Parliament adopted a resolution drafted by Giovanni PITTELLA (PES, IT) on the Commission's annual policy strategy. It stated that the 2006 budget will be the last of the current financial perspective and constitutes, with the ongoing negotiations for a new financial perspective for 2007-2013, the strategic framework in which the Parliament will decide its priorities so that the Union's objectives can be backed up by a proper level of budgetary resources.

Parliament is aware of the budget implementation problems due to the current financial regulation, in particular in areas such as info-points, external cooperation and delays for contracts. The Commission proposals for a revision of the Financial Regulation and the implementing rules must address these issues and make the Financial Regulation less bureaucratic. Parliament regretted that the Commission did not list this review in its legislative and work programme for 2005.

The 2006 budget must reflect the following principles in order to ensure sound financial and budgetary management:

- establishing an adequate level of payments to cover the real needs;
- the revision of the financial perspective transferring appropriations from subheading 1a) to subheading 1b), in order to implement the provisions of Council Regulation 1782/2003/EC on direct support schemes for farmers;
- properly implementing the joint statement of 16 July 2004 on financial programming;
- using all means available in the Treaty and/or the current Interinstitutional Agreement on budgetary discipline to take on the significant budgetary and financial challenges which the EU will face with the 2006 budget and to provide a solid basis for the budgetary years to come.

With regard to priorities, Parliament supported the Commission in its general approach but pointed out that its latest financial programming and its annual policy strategy show a number of discrepancies between key action for 2006 and budgetary resources (i2020 initiative, Growth initiative, Youth initiative, European asylum support, programmes to help implement environmental legislation, European Year of Mobility for

Workers, etc.).

The 2006 budget must, in particular, reflect the new approach of the Lisbon Strategy, as expressed by Parliament's coordination group:

- reinforcing its contribution to competitiveness and social, economic and environmental cohesion;
  - concentrating EU support for key Lisbon and Göteborg areas, such as employment, environmental policy, research and development, SMEs, promoting the knowledge and information society,
- dissemination of environmental technologies, life-long learning, and properly implementing the TransEuropean Networks;
- allowing for the greater effort which is required to complete the internal market;
  - preparing for new areas of Community support, such as Natura 2000;
  - the important role of young people for the integration and prosperity of the Union;
  - the strengthening of the EU's role in the international community;

Sectoral issues:

**Agriculture:** Parliament expressed its support for the objectives established in the CAP reform, in particular those strengthening rural development. It is strongly in favour of providing the funding necessary for these measures but draws attention to the fact that an agreement on transferring appropriations under subheading 1a) to subheading 1b) ("budgetary modulation") is necessary before the Council's first reading.

**Structural operations:** Parliament stressed the importance of budgeting fully the real needs for payments under the structural funds and the need to provide for a sufficient level of payments in order to avoid jeopardising the implementation of the programmes. It emphasized the need for the N+2 rule (sunset clause) to be closely monitored and for full information to the budgetary authority to be reinforced, in particular on the budgetary commitments that are in danger of being cancelled. The Commission is invited to present by the end of July 2005 an overall evaluation of the state of implementation in payments in comparison with the multiannual initial forecasts.

**Internal policies:** the Commission is asked to propose within the Lisbon Strategy real priority actions creating European added value. Parliament felt that the limited margin of manoeuvre under the ceiling of the financial perspective for this heading should be targeted at core priority areas, such as employment, research and development, support to SMEs through the EIF lending facility for SMEs created in the 2004 and 2005 budgets, promotion of the knowledge and information society, dissemination of environmental technologies and life-long learning.

Achieving the Lisbon objectives long-term growth should not lead to widening gaps and social uncertainty. Parliament outlined its intent to reinforce the EU budget for actions for young people, also in line with the Commission's emphasis on promoting mobility in education and learning and the effective use of the potential of youth. Exchange programmes are important in this field and the Erasmus programme should be extended to cover students at secondary-school level and to young entrepreneurs.

Parliament also called on the Commission to present proposals to strengthen the EU's overall capacity to provide assistance to citizens in the case of emergencies, including those occurring outside EU territory, and to manage trans border crises. It underlined the importance of Parliament being fully involved in the current debate on this matter.

**External actions:** Parliament stressed the current difficulty of reconciling the traditional priorities of the Union with a large number of new budget responsibilities, which have been taken over under Category IV in recent years (Balkans, Afghanistan, Iraq, tsunami and other natural disasters). The Council is reminded that new tasks should not be financed to the detriment of Parliament's traditional priorities. The financial resources allocated to assist the countries and communities affected by the tsunami must be additional to the existing aid budgets and not merely shifted within them or redirected from other regions (redeployment).

**Personnel and administration:** Parliament noted that the Commission has requested 700 new posts to be created in 2006 following its multiannual plan for additional human resources following the 2004 enlargement. The Commission estimates that, as a result of the accession of Bulgaria and Romania, 850 new posts will need to be phased in by 2010. Parliament asked the Commission to present a review of the medium-term staff needs as put forward by the previous Commission by 31 July 2005, and for a detailed report on the Commission's staffing of support and coordination functions.

**Pilot projects and preparatory Actions:** Parliament will work closely with the Commission on pilot projects and preparatory actions in order to facilitate the joint examination on the feasibility of the proposals.