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on "First reaction to the revised version of the Interinstitutional Agreement proposed by the Commission on 1 February 2006"

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INTRODUCTION

Following the request made by the European Parliament in its resolution voted on 1 December 2005, the Commission has adopted a revised version of the Interinstitutional Agreement on 1 February 2006. This document was accompanied by a letter from President Barroso to President Borrell and to Chancellor Schüssel.

With a view to facilitating the negotiations on the Interinstitutional Agreement, the rapporteur in his working document no 3[1], has presented 11 key points reflecting the Parliament's political priorities based on its negotiating position. In the same document, the rapporteur has also recalled that the European Parliament's priorities for the next FP-IIA are both of a quantitative and qualitative nature. The 'key points' for the IIA are of fundamental importance in terms of the global agreement the European Parliament wants to achieve.

These points are only a part of the European Parliament's requests. The European Parliament will have other amendments on the text of the agreement. The rapporteur is mindful that the whole Interinstitutional Agreement is a complement of the Financial Perspective. The more the financial framework is limited the more the European Parliament must insist on effectiveness of the procedures and contents of the IIA. The approach that the parts of the IIA which are not changed would be automatically accepted, will not be supported by the European Parliament.

Out of 11 key points relating to major quantitative and qualitative elements, the revised draft IIA[2] has taken on board only two of them in partial form:

- flexibility: the annual amount of which is increased from 200 to 700 million per year over the period and a broader scope covering unforeseen needs but also multi-annual requirements (4,9 billion over the period). This amount is far from what the European Parliament had proposed.
  No mention is made regarding facilitation of the heavy mobilisation procedure. Such flexibility instruments will not enable to implement systematically underfinanced programmes.

- the Solidarity Fund (up to 1 billion per year) has been taken out of the financial framework. The Globalisation Fund (up to 500 million per year) which is a request from the Council also remains outside.

Concerning the other 'key points', they are not reflected in the revised version of the IIA. Most of them are mentioned in the letter referred to in the opening paragraph with a rather weak formulation and no clear commitment by the Commission in favour of Parliament's requests or prerogatives compared to Council's priorities.

[1] PE 367.953v01-00
[2] COM(2006)0036

This also applies to the review clause which will take the form of a White Paper to be presented by the Commission in 2008-2009 covering all aspects of EU spending and resources. No mention is made of the European Parliament's role in the decision of extension, modification or confirmation of the provisions in place. Furthermore no mention is made of a binding roadmap.

In this regard, the rapporteur considers that the Commission revised proposal cannot serve as the basis for fair negotiations between the European Parliament and Council. The rapporteur is of the opinion that the Commission did not show sufficient leadership concerning the IIA.

Mindful of the need to avoid any delay in the preparatory work for the negotiations, the rapporteur gives indications on how, in his opinion, the 'key points' should be treated in the IIA to reflect the European Parliament's priorities. A full revised version of the IIA, covering all points, will be presented as a second step on time for the next trialogue.

1. Flexibility

The Institutions acknowledge that flexibility mechanisms are necessary to face unforeseen needs and unexpected crises during the next financial period, as well as to finance non-programmed actions. The creation of reserves for flexibility is an integral part of the overall Interinstitutional Agreement. The reserves for flexibility are placed outside the financial framework. The global amount for flexibility should represent up to 0.03% of EU cumulated GNI over a seven years period.

Should the need for financing an unforeseen event or a new initiative occur, the Commission will indicate whether it is feasible for either a re-programming within the headings, or to redeploy unused appropriations within and across all headings. In case the first two possibilities prove to be insufficient the Commission will propose to call new appropriations, through the mobilization of the reserve for flexibility.

The different flexibility reserves are created as follows:

– reserve for competitiveness: up to a maximum of EUR 7 billion under heading 1a);
– reserve for cohesion: up to a maximum of EUR 3 billion under heading 1b);
– reserve for the Solidarity Fund up to a maximum of EUR 6.2 billion under heading 3;
– reserve for emergency aid: up to a maximum of EUR 1.5 billion under heading 4;
– reserve for loans guarantee: up to a maximum of EUR 3 billion under heading 4.

In addition to those reserves, a non allocated reserve for flexibility up to a maximum of EUR 3.5 billion is created for non-programmed actions and unforeseen events.

The Commission will make the proposal for the mobilisation of the flexibility reserves after it has examined the following possibilities:

- re-programming within the heading concerned
- redeployment of unused appropriations within and across headings
- new appropriations if the first two possibilities are insufficient

In case of a mobilization of the Flexibility Instrument below an amount of 200 million per annum and in case of non agreement of the two arms of the budgetary authority, the Council may, acting by qualified majority, decide on compulsory expenditures and the European Parliament on non compulsory expenditure, following the procedures defined in Art. 272 of the Treaty.

2. Financial Regulation

The Institutions acknowledge the responsibility to ensure a better implementation of the Budget and to improve the visibility and the benefit of EU funding towards the citizens without putting in question the progress achieved in the last recasting. They undertake a deep review of the regulations in force[1], both the principles and their implementing rules, in view of simplifying the procedures and facilitating the implementation of the Budget.

The Institutions agree on the aforementioned elements in the IIA and agree to proceed with further legislative procedure, according to a real conciliation procedure which puts the two arms of the budgetary authority on an equal footing.

3. Certification by Member States

Before September 2006 the Commission will present the list of the national bodies that could be entrusted to give a certification on behalf of the Member States on the European funds spent for policies run under shared competences.

Before December 2006 the Court of Auditors will give an opinion on the national bodies indicated by the Commission.

The European Parliament and the Council will give their opinion on the Commission list by April 2007.

On the basis of the different opinions, the budgetary authority will define, in concert with the Commission and the Court of Auditors, the procedure to be followed by Member States to give certification of the accounts to the Commission and to the Court of Auditors.

4. New financial instruments

The Institutions agree that the introduction of co-financing mechanisms is necessary to reinforce the leverage effect of the EU budget by increasing the funding incentive. They agree to encourage all types of financial instruments acting as catalysts for public and private investors. On this basis the Commission should make appropriate proposals.

EIB risk capital will be increased up to EUR 10 billion over the period 2007-2013. The Commission will report back to the budgetary authority about the activities financed by the

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[1] Council Regulation (EC, Euratom), N° 1605/2005, OJ L 248, 16.9.2002, page 1.

EIB-EIF to support investments related to EU programmes (mainly TENs, Research and SMEs).

5. Review clause

The present agreement, including the annex (with the table on Financial Perspective) is subject to a revision clause to make the necessary adjustment in a fast developing environment and to redeploy the spending priorities if needed.

By the end of 2008, the Commission takes the firm commitment to undertake a full, wide-ranging review covering all aspects of the Financial Perspective, own resources and expenditure with a clearly defined role for the European Parliament.

An ad hoc working group composed by representatives of the budgetary authority is created to keep the Budgetary Authority informed of the progress achieved in this review and where appropriate to get its opinion, a progress report should be presented to the Budgetary Authority every year before the July Conciliation.

Both arms of the budgetary authority should decide on the confirmation, modification or rejection of the review and of the IIA at the latest by March 2010.

6. Reforming the system of own resources

The Institutions acknowledge the need to give the European Union transparent and independent own resources to replace the existing system. They agree that the preparatory work for setting up such a system should be conferred to a conference involving the European Parliament and the national parliaments. The conference should deliver orientations in view of Commission proposals to be presented by the end of 2008.

7. Agencies

The Institutions agree to create binding ceilings for the agencies outside the table of the financial framework for reasons of transparency between the agencies and the Community programmes. The ceilings of the specific heading can only be modified by a decision of the budgetary authority through the provisions set up by article xx of the IIA (flexibility).

8. Administrative expenditure

The Institutions agree to maintain a specific heading for all administrative expenditure for reasons of transparency. The Commission will make appropriate proposals for a binding ceiling which preserves the system of Activity Based Budgeting.

9. Democratic scrutiny and coherence of external actions

The Institutions acknowledge the need for a rationalisation of the various instruments for external actions. However they agree that such a rationalisation of instruments and concentration of programmes for management facilities should not reduce the powers of the legislative authority. A specific procedure is established to secure the rights of Parliament over the multiannual indicative framework and strategy papers through a prior consultation of the European Parliament and Council by the Commission (deadlines to be defined) which commits to withdraw the proposal if one of the two arms of the budgetary authority so requires.

The Institutions recognize that the restructuring of the external instruments should not reduce the European Parliament's prerogatives notably on the establishment of a multi-annual indicative framework (MIF) and the strategy papers.

10. EDF

The European Development Fund, as a result of the negotiations, is budgetised. The ceiling of the financial framework is adjusted accordingly.

11. Other issues on budgetary discipline

All the existing provisions on budgetary discipline (CFSP, financial programming) are maintained.