REPORT

on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013 (2004/2209(INI))

Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013

Rapporteur: Reimer Böge
<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION ............................................. 5</td>
</tr>
<tr>
<td>EXPLANATORY STATEMENT ...................................................................................... 27</td>
</tr>
<tr>
<td>OVERVIEW AND STATE OF PLAY ........................................................................... 27</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 1: ORGANISATION AND WORKING METHODS ............ 33</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 2: STATE OF PLAY ....................................................... 35</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 3: FIRST ANALYSIS OF THE COMMISSION COMMUNICATION (2004) 487 ................................................................. 41</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 4: INSTITUTIONAL AND LEGISLATIVE ASPECTS ...... 49</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 5: INSTITUTIONAL ASPECTS LINKED TO THE CONSTITUTION ......................................................................................... 54</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 6: TRANS-EUROPEAN NETWORKS ......................... 58</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 7: EDUCATION AND TRAINING .................................. 66</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 8: THE SOCIAL POLICY AGENDA .............................. 71</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 9: THE COMMON AGRICULTURAL POLICY ........... 75</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 10: THE COMMON FISHERIES POLICY .................. 85</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 11: STRUCTURAL FUNDS ............................................ 89</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 12: THE POLITICAL AND LEGAL FRAMEWORK FOR FINANCING EU PROGRAMMES ON ENVIRONMENT ........................................... 98</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 13: PRE-ACCESSION AND THE EUROPEAN NEIGHBOURHOOD ......................................................................................... 103</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 14: DEVELOPMENT AND COOPERATION INCLUDING HUMANITARIAN AID ................................................................. 115</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 15: THE STABILITY INSTRUMENT AND CFSP ........ 127</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 16: FOSTERING EUROPEAN CULTURE AND DIVERSITY ................................................................................................. 139</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 17: CONSUMER PROTECTION AND PUBLIC HEALTH ........................................................................................................ 145</td>
</tr>
<tr>
<td>WORKING DOCUMENT NO 18: FREEDOM, SECURITY AND JUSTICE ............... 152</td>
</tr>
</tbody>
</table>

WORKING DOCUMENT NO 20: RESEARCH AND INDUSTRIAL POLICY .................. 168


WORKING DOCUMENT NO 22: SUMMARY OF THE OPINIONS OF THE STANDING COMMITTEES .............................................................................................................. 193

MINORITY OPINIONS ........................................................................................................ 199

OPINION OF THE COMMITTEE ON FOREIGN AFFAIRS ............................................. 202

OPINION OF THE COMMITTEE ON DEVELOPMENT ..................................................... 206

OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE .................................. 212

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL ..................................... 215

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS .......... 221

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS ............. 224

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY .......................................................... 228

OPINION OF THE COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY .......... 236

OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION ........................................................................................................ 241

OPINION OF THE COMMITTEE ON TRANSPORT AND TOURISM .............................. 245

OPINION OF THE COMMITTEE ON REGIONAL DEVELOPMENT ................................ 250

OPINION OF THE COMMITTEE ON AGRICULTURE AND RURAL DEVELOPMENT .......... 255

OPINION OF THE COMMITTEE ON FISHERIES ......................................................... 265

OPINION OF THE COMMITTEE ON CULTURE AND EDUCATION .......................... 271

OPINION OF THE COMMITTEE ON CIVIL LIBERTIES, JUSTICE AND HOME AFFAIRS .............................................................................................................. 277

OPINION OF THE COMMITTEE ON CONSTITUTIONAL AFFAIRS ............................... 282

OPINION OF THE COMMITTEE ON WOMEN’S RIGHTS AND GENDER EQUALITY .............................................................................................................. 285
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013
(2004/2209(INI))

The European Parliament,

– having regard to the EC Treaty and in particular Articles 268-276 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 procedure¹,


– having regard to the Treaty establishing a Constitution for Europe²,

– having regard to Council Decision 2000/597/EC, Euratom of 29 September 2000 on the system of the European Communities' own resources³;

– having regard to its resolution of 22 April 2004 on building our common future: policy challenges and budgetary means of the enlarged Union 2007-2013⁴,

– having regard to its decision of 15 September 2004 on setting up a Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013⁵,

– having regard to its question for oral answer O-0067/2004 (B6-0130/2004) and its resolution on the Financial Perspective with a view to the European Council meeting in December 2004⁶ to the Council,

– having regard to its question for oral answer O-0068/2004 (B6-0131/2004) to the Commission,

– having regard to Rule 175 of its Rules of Procedure,

– having regard to the report of Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013 and the opinions of the Committee on Budgetary Control, the Committee on Economic and Monetary Affairs, the Committee on Employment and Social Affairs, the Committee on the Environment, Public Health and Food Safety, the Committee on Industry, Research and Energy, the Committee on the Internal Market and Consumer Protection, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture, the Committee on Fisheries, the Committee on Culture and Education, the Committee on Civil Liberties, Justice and Home Affairs, the Committee on Constitutional Affairs, the Committee on Women's Rights and Gender Equality, the Committee on Foreign Affairs, the Committee on Development, and the Committee on International Trade (A6-0000/2005),

² OJ C 310, 16.12.2004
A. Whereas the current Financial Perspective and the Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure will in principle end in 2006;

B. Whereas most Community legislation with financial implications will terminate in 2006;

C. Whereas the preparation of the next Financial Perspective is one of the major challenges to be faced by the Union over the coming months, as it will shape the new enlarged Europe, having regard to new internal and global challenges and tasks;

D. Whereas the European Parliament decided to set up a Temporary Committee with the following mandate:

   (a) to define the European Parliament's political priorities for the future Financial Perspective both in legislative and budgetary terms,

   (b) to propose a structure for the future Financial Perspective in line with these priorities,

   (c) to make an estimate of the financial resources to be allocated to European Union expenditure for the period 2007-2013,

   (d) to propose an indicative allocation of resources between and within the different headings of the Financial Perspective in line with the priorities and proposed structure,

E. Whereas the Temporary Committee should present its final report before the European Council establishes its common position;

F. Whereas in accordance with paragraph 26 of the Interinstitutional Agreement of 6 May 1999, the Commission has initiated the process of the preparation of the new Financial Perspective and the new Interinstitutional Agreement by presenting proposals on 10 February and 14 July 2004 respectively;

G. Whereas the Treaty establishing a Constitution for Europe (the Constitution) strengthens the role of the European Parliament in many legislative areas, widens the scope of the Parliament's budgetary authority, and, in Article I-55 and in Article III-402, paragraph 5, provides for the multi-annual financial framework to become a European law of the Council, adopted by unanimity after conciliation with and the consent of the European Parliament, to be given by a majority of its component members;

H. Whereas paragraph 26 of the Interinstitutional Agreement of 6 May 1999 provides for a prolongation of the current Financial Perspective, unless it is expressly denounced by one of the parties to this agreement;

I. Whereas, in the absence of an interinstitutional agreement, the EC Treaty allows for the adoption of annual budgets under the provisions of Articles 272 and 273 if the budget has not been adopted by the beginning of the financial year;

J. Whereas the new Commission officially endorsed the proposals of the former Commission regarding the structure, the duration and the level of financial resources per year and per heading of expenditure of the new Financial Perspective and all the legislative proposals known collectively as the "Prodi Package";
K. Whereas, in the report on building our common future: policy challenges and budgetary means of the Enlarged Union 2007-2013\(^1\), Parliament stressed that "there will be no Financial Perspective without an agreement between the European Parliament and the Council on the financial package, as the existing Treaty foresees no obligation to have a Financial Perspective and only provides for annual budgets";

L. Whereas the VAT and GDP resources (which were intended at the time when they were established as revenues complementary to traditional EU own resources) have gradually become the principal source of financing for the Community budget; whereas, together with the derogation regimes which have been added to the current own-resources system, they have only made it more complex, more opaque for citizens and increasingly less equitable and have led to a financing system which has resulted in unacceptable inequalities between Member States;

M. Whereas the conclusions of the December 2004 European Council confirmed the "Prodi Package" as the working basis for the Council, which agreed on institutional dialogue through regular contacts with the European Parliament;

N. Whereas in the conclusions of the December 2004 European Council, the link between the Financial Perspective and the issue of own resources and the correction mechanism is clearly established;

O. Whereas, over the last six months, the Temporary Committee:
   - has conducted an in-depth analysis of the Commission’s proposals,
   - has worked in close co-operation with all the permanent committees whose opinions have been carefully scrutinised,
   - has followed with interest the "building blocks" working method followed by the Dutch Presidency and had frequent and constructive contacts with the Luxembourg Presidency,
   - has identified positive political priorities in view to determining the European Parliament's negotiating position,
   - has made proposals for the duration, the structure and the financial resources of the next Financial Perspective, in accordance with the mandate it received;

P. Whereas the Constitutional Treaty provides for the possibility of introducing new categories of Union own resources and of abolishing an existing category,

**General context**

1. Insists that the enlarging European Union should have appropriate financial resources to match the scale of its rising political ambitions and to meet its growing responsibilities at home and abroad; insists further that all expenditure from the EU budget should be designed to add European value to the public expenditure of Member States, and that the

---

principle of subsidiarity should be strictly respected over spending decisions in the field of non-exclusive competence - in particular the criterion that EU action does, by reason of its scale or effects, better achieve the objectives of the Union;

2. In the interests of sound financial management, simplification and democratic accountability, demands improvements in and simplification of the mechanisms of financial control both at the level of the institutions and within the Member States, so as to ensure real public accountability for all EU spending;

3. Recalls that the Financial Perspective is a financial framework aiming to secure the development of EU priorities in a context of budgetary discipline, and is not a multi-annual budget set for seven years; points out that the Financial Perspective remains a reference and therefore must provide the necessary flexibility to reflect medium-term political ambitions and provide the financial resources needed in order to enable future challenges to be met effectively and fairly, as laid down in the EC Treaty; is determined to make full use of the powers granted to it under Article 272 of the Treaty, pursuant to which an annual budgetary procedure is established for the purpose of approving the expenditure of the European Union;

4. Notes that the new Barroso Commission has fully endorsed the proposals presented by the Prodi Commission over the last months of its mandate; however, rejects a system which binds the elected and executive bodies of the European Union over three consecutive mandates;

5. Is aware of the difficult political, economic and social context in several Member States, but recalls that the EU budget has increased by 8.2% between 1996 and 2002, while the average increase in national budgets (EU-15) has been 22.9%; notes that the MacDougall report considers that the European budget should amount to 2% to 2.5% of Members States' GDP; takes the opportunity to point out that the ceiling of own resources decided in 1993 for 15 Member States has remained unchanged since then, i.e. 1.31% of EU GNI for commitment appropriations and 1.24% of EU GNI for payment appropriations; recalls that the level of the EU budget currently accounts for under 2.5% of aggregate public spending in the Union compared to an average of 47% of EU GNI for total public spending;

6. Considers that the costs of enlargement can be perfectly assumed by the old 15 EU Member States and that they have to be considered as a minimum, taking into account the political, social and economic benefits that the reunification of Europe represents for the whole Union;

7. Is convinced that the Financial Perspective can allow for balanced development of the financial resources allocated to the Union provided that:

- they are used for actions with real European added value, clearly defined priorities and visibility for citizens,

- they optimise concentration and complementarity with actions run at national, regional and local level to limit as much as possible the burden on taxpayers,

- they are spent under rules of sound financial management, focusing on efficiency and effectiveness; notes that expenditure effected at European level may give rise to savings at national level, in particular because such expenditure makes for economies of scale or may generate revenue at national level;
8. Stresses that the debate on the Financial Perspective is closely linked to the issue of own resources, the correction mechanism and various forms of co-financing and financial instruments and the need to adapt the existing system, as acknowledged by the European Council in its conclusions of December 2004; regrets that the Commission did not present more ambitious proposals to replace the current system in parallel with the new Financial Perspective;

9. Will take account, in its final vote, of the way in which the Council acknowledges the need for a thorough reform of the current own resources system on the basis of which new expenditure can be shared out fairly among the Member States and, subsequently, a return can be made to the original principle of the funding of common policies with genuine own resources using a transparent, equitable and democratic system which should enter into force at the latest at the beginning of the following Financial Perspective;

10. Notes that the entry into force of the Constitutional Treaty will modify the legislative procedure for a number of proposals, introducing co-decision; is aware that it would be impossible to anticipate the Constitution in legal terms before the end of the ratification procedure; urges the Council to agree on a gentleman's agreement to safeguard the legislative powers of Parliament and to introduce a revision clause for legislative acts whose procedure will change after the Constitutional Treaty comes into force;

11. Considers that
- in view of the utmost political importance of the next Financial Perspective,
- taking into consideration that the Constitution requires that the future law of the Council containing the Multiannual Financial Framework (MFF) be approved by the Parliament by the majority of its members,
- and bearing in mind that the next Financial Perspective will go beyond the entry into force of the Constitution and will very likely be considered as fulfilling the function of the MFF to allow the adoption of the first annual budget under the regime of the Constitution,
- Parliament should only consent to commit itself in an agreement on the next Financial Perspective if approved by the majority of its Members;

12. Is of the opinion that the annual ceilings of expenditure laid down in the Financial Perspective, both in commitments and in payments, are to be seen as an agreement between both arms of the budgetary authority in accordance with Article 272, paragraph 9 to allow a higher rate of increase of non compulsory expenditure in the budget than the Maximum Rate of Increase; is of the opinion, therefore, assuming that the Constitution has not yet entered into force at the time of agreement on the Financial Perspective, that the Financial Perspective annexed to the Interinstitutional Agreement, containing the expenditure ceilings per heading and per year, must be adopted by a majority of its Members;

13. Recalls that under the current Treaties a Financial Perspective does not have a formal status and can only be established with the approval of the European Parliament on a voluntary basis; recalls further that, if no agreement is reached, the EC Treaty will be applied for the purpose of regulating the adoption of annual budgets; stresses that it will not agree on the next Financial Perspective if its priorities are not taken into consideration by Council;
14. Welcomes to some extent the Commission's proposals on the next financial framework 2007-2013 and the related legislative proposals, which form part of the "Prodi Package" and are intended to replace most of the current legislation ending in 2006, as an opportunity for the enlarged Union to further develop a new political agenda; after an indepth analysis by its Temporary Committee and by the 17 committees which delivered opinions to it, considers that the Commission proposals have received qualified support and as such, are an acceptable basis for analysis and future negotiations; nevertheless draws the Council's attention to some political priorities where European added value for the Union and its citizens is of the utmost importance;

15. Regards as essential, moreover, that the Financial Perspective should be approved promptly so that it can be fully operational from 1 January 2007, thereby preventing any hiatus in the work of the EU, in particular as regards the European Commission’s legislative proposals;

Part I Policy challenges

A more competitive and cohesive Europe

Cohesion

16. Welcomes the proposed reform of cohesion policy with a view to placing it at the service of the objectives of growth, employment and sustainable development; considers that European regional policy is an indispensable tool for promoting social, economic and territorial cohesion, permitting the Union to undertake actions to reduce regional disparities, with a view to fostering the harmonious development of the Union as a whole, and addressing structural shortcomings (difficult access, depopulation and low population density, remote location etc.), to stimulate the sustainable development of the regions, their growth, competitiveness and employment, underlines the importance of cohesion policy in achieving the Lisbon goals, and to contribute to bridging the gap between the different territories of the European Union, all resources allocated to cohesion policy should be spent for this purpose; is convinced that joint action at European level is cost-effective since it allows for economies of scale, the rationalisation of procedures, and the pooling of resources, particularly in the context of cross-border co-operation; considers that the existence of a strong, well financed European regional policy is a condition sine qua non of the Union’s ability to deal with successive enlargements and reduce regional disparities and that, in the process, the basic structure of the system of assistance programmes, with three pillars, must be maintained in terms of the comparative relationship between them; considers, therefore, the amount of 0.41% of the Union's GNI and the 4% of national GNI of the new Member States as adequate, provided the Member States can ensure that the actions take place in addition to national and regional measures and that the corresponding co-financing (using public and private funds) is made available; is determined to monitor the strict application by the Commission of the N+2 rule in the Structural Funds and therefore, the present rules regarding the Cohesion Fund should be further applied;

Research

17. Stresses that scientific research, technological development and innovation are at the heart of the knowledge-based economy and are key factors for growth and sustainable development, the competitiveness of companies, employment, and to attain the objectives
of the Lisbon Strategy; considers that research efforts should be boosted and consolidated at EU level, developing centres of excellence, bringing added value to industry, SMEs and the citizens of Europe, promoting cooperation between private and public actors especially regarding research infrastructure and encouraging public-private partnerships; stresses that this Financial Perspective must make a substantial contribution towards reaching the target established at the 2002 Barcelona European Council for an increase in R&D expenditure to 3% of EU GNI by 2010 and that this must be factored into future Financial Perspectives; considers that appropriate resources should be foreseen for the implementation of the Space Programme within the envelope for Research and that legislative instruments and financial resources should benefit from a revision clause once the Constitutional Treaty enters into force; insists that the European Research Area should effectively include all 25 Member States;

*Trans-European Networks*

18. Welcomes the Commission proposal on TEN-T priority projects; notes however that the resources allocated for 30 transport priority projects as well as for the Marco Polo programme constitute a minimum amount which must be considered subject to upward revision; underlines the strategic importance of transport networks for final consolidation of the EU single market and for closer EU relations with candidate, pre-candidate and 'ring of friends' countries; notes that the interconnection of transport networks can underpin the development of trade and investment and thereby can promote sustainability and stability and also social, economic and geographical cohesion; calls for adequate funding for the development of transport interconnections and common infrastructure shared by the countries; insists that this funding should be conditional on guarantees by the Member States of adequate counterpart funding and adequate access to the network for the regions concerned, and is willing to examine innovative financing instruments such as loan guarantees, European concessions, European loans and interest relief fund, to cover public and private-sector investment only in research, innovation, space and major physical and non-physical networks, or EIB facilities;

19. Notes that the new regulation would also allow financing infrastructure in the *TEN-E programme*, which was not the case in the previous framework 2000-2006; is of the opinion that studies should be the main focus of support under this programme;

*The Social Policy Agenda*

20. Considers that the modest financial means dedicated to the implementation of the Social Policy Agenda constitute the minimum needed to enable a contribution to be made to the Lisbon strategy for sustainable growth with more and better jobs; considers that an adequate level of Community expenditure in the social policy area remains crucial, in particular in terms of employment and social protection; however underlines the fact that primary responsibility and competence in social policy matters lies with the Member States; believes that an increase of EUR 200 million is necessary in order to attain the goals of the Social Policy Agenda;

*Education and training*

21. Considers lifelong learning, including education and training to be one of the highest priorities for the next Financial Perspective and a key factor for growth, social inclusion and competitiveness; regards the proposed increase in its financial envelope as the absolute minimum necessary for the attainment of EU objectives in this area; considers that the effectiveness of European programmes in the field of lifelong learning, including
education and training, are self-evident as they provide added value and are an instrument for spreading innovation and good practice that would otherwise remain locked within national borders; stresses that mobility throughout the Union for students and workers must be strengthened so as to enable them to benefit from new opportunities; stresses that more students should be involved in joint educational activities; welcomes the consolidation into a single instrument; believes that an increase of EUR 670 million is necessary in order to attain its goals;

**A better quality of life**

**Rural development**

22. Considers that the restructuring of the Common Agricultural Policy (CAP) needs to be accompanied by a substantial increase in rural development funds to address the problems of employment and competitiveness in rural areas, in particular in the new Member States; considers that investment in rural development also requires support for enterprises which promote diversification of the countryside; is of the opinion that the Commission's proposal for the budget of the new Rural Development Fund is extremely tight and therefore constitutes an absolute minimum;

**Environment**

23. Welcomes the Commission's approach to integrate *Natura 2000* into the Rural Development Fund and the structural funds which should be the main sources of financial resources alongside a significantly strengthened Life+ programme; insists in this context on a legally binding mechanism which guarantees proper implementation and EU funding for *Natura 2000* at the level of the EU's estimated contribution to the envisaged overall amount, which is approximately EUR 6.1 billion for the EU-25 per year; insists that an amount of EUR 21 billion for *Natura 2000* should therefore be earmarked ("ring-fenced") in the Financial Perspective within the respective areas; calls for the funding of measures to implement *Natura 2000* under Heading 2 of the Financial Perspective; calls for the funding of *Natura 2000* activities and management which cannot be financed by other instruments within the Life+ programme; calls on the Commission in this context to examine the possible integration of *Natura 2000* in other funds;

**An Area of Freedom, Security and Justice**

24. Selects the completion of the Area of Freedom, Security and Justice as one of its political priorities for the period of the next financial framework and notes that the Commission has proposed a substantial increase in the funds allocated to it; considers that the proposed allocation to this area of around two thirds of the funds foreseen in the proposed Heading 3 may not be sufficient to cover the needs and the ambitions of the European Union in this area as defined by the European Parliament and the Council; believes that an increase of EUR 1 billion is necessary in order to attain its goals; moreover, believes that a sufficient margin must be left under Heading 3 to allow for unforeseen needs and new developments;

25. In the light of the priority given to the fight against organised crime, including terrorism, and the strengthening of judicial cooperation, calls for a consolidation of the budgetary resources made available to Europol and Eurojust; calls, further, for that measure to be accompanied by a strengthening of the democratic scrutiny of Europol;
A Europe closer to the citizen

Fostering European Citizenship, Culture and Diversity

26. Considers the *Youth in Action Programme* a priority; believes that the current *Youth programme* has clearly demonstrated the added European value of Community action in organising multilateral youth exchanges, a European voluntary service, the networking of projects, and European training for youth workers; welcomes the proposed rationalisation of Community instruments in this field; believes that an increase from EUR 811 to EUR 1 000 million is necessary in order to attain its goals;

27. Welcomes the rationalisation of Community instruments in the field of culture envisaged in the Commission's proposal (COM (2004)0469) for a *Culture 2007 programme*; deplores the fact that, at present, only 7 cents per head out of the EU budget is spent on the arts; believes that an increase from EUR 360 million to EUR 500 million is necessary to improve the financing of the Commission proposal;

28. Is concerned that a large majority of European citizens say that they know little or nothing about the European Union, its institutions, its policies, or its achievements; stresses that the Union must make available the means necessary to support an effective information and communication strategy to explain to citizens how the institutions which exist to serve them work and why they pursue the policy goals they do; calls for increased coherence between the financial perspectives and the new provisions of the Constitutional Treaty, also with regard to participatory democracy and, in particular, to the development of civil dialogue and the implementation of citizens' initiatives; welcomes the submission of a legislative proposal for the successor programme of the *Civic Participation Programme* that remains a priority in order to promote an active and vibrant civil society and bring Europe closer to its citizens through a bottom-up process;

A stronger Europe in a safer world of greater solidarity

29. Insists on a level of funding for External Actions sufficient to enable the EU to become a real "global partner" in the world and to provide it with the means for its political ambitions and its international commitments; stresses its unwillingness to perpetuate a situation of constant pressure under Heading 4 as occurred under the current Financial Perspective and points particularly to the need for a high level of flexibility and sufficient margin to allow for unforeseen events; points out the need to provide sufficient funding to ensure the implementation of the approach indicated by the Constitutional Treaty in this area, in particular the new Neighbourhood Policy on the basis of the special partnership provided for in Article I-57 thereof;

30. Underlines the need to further diversify the European Neighbourhood strategy providing also an attractive alternative for those countries which potentially could become a Member of the European Union but which will ultimately remain a close partner of the Union; insists that the European Parliament, being part of the budgetary authority, must in the future be involved as an equal partner, as it is today, in any decision concerning the transition of a potential candidate to a pre-accession candidate, owing to the significant budgetary implications; is of the strong opinion that an increase of funds is necessary in order to deepen relations with its neighbouring countries and to provide an adequate level of funds for potential candidate and candidate countries that guarantees them fair and equal treatment; draws attention, in particular, to the fact that the resources available to fund EU relations with the developing countries must be considered as a minimum with a
view to honouring the European commitment to help those countries achieve the
Millennium Development Goals by 2015;

31. Calls for coherence between the provisions of proposed legislative instruments and the
likely forthcoming provisions of the Constitutional Treaty, enhancing in all cases effective
democratic participation of the European Parliament in decision-making; points to the
particular need for greater Parliament participation in decisions on CFSP actions,
especially where these have budgetary implications; in this context, considers it
indispensable to develop further the current practices for information and consultation of
Parliament in the context of CFSP;

32. Welcomes the impending creation of the European External Action Service and insists
that its administrative costs will fall in their entirety to the EU budget;

33. Welcomes the renewed determination of the EU and the US leaderships with a view to
shaping a common agenda, including joint actions on foreign policy issues; notes that this
approach is not reflected in the Commission proposals and insists that Parliament should
participate in decisions on these matters if they have budgetary implications;

Part II Organisation and structure of the financial framework

Duration

34. Notes that the Commission has proposed a financial framework of 7 years' duration;
reiterates that for reasons of democratic responsibility and accountability, its position in
favour of a parallelism between the duration of the Financial Perspective and the five-year
mandates of the European Parliament and of the European Commission, and recalls that
the Constitutional Treaty foresees a duration for the future Multi-annual Financial
Framework of a minimum of five years, which would allow for co-ordination with the
terms of office of the Commission and of the Parliament; points out that the duration of
the legislative proposals could remain independent from the timeframe of the Financial
Perspective; therefore requests its delegation negotiating the Interinstitutional Agreement
to insist that the future Interinstitutional Agreement include provisions guaranteeing a
longer (up to 7 years) duration for multi-annual programmes, compared to the duration of
the future financial perspective, in particular for major policies such as agricultural policy,
structural and cohesion policy and research;

35. Decides that the next Financial Perspective should consequently allow for the transition to
such parallelism and therefore last until the end of 2011; the subsequent financial
perspectives would last until 2016; recalls that a transitional term could be envisaged in
the event of a delayed agreement or in case of no agreement;

Structure

36. Takes note of the Commission's proposal to restructure the next financial framework, with
the aim of better reflecting the broad policy goals, the strengthening of social and
economic cohesion and providing more visibility for citizens on the EU multiannual
spending, but considers that in some cases this introduces unnecessary rigidity;

37. Considers that the relevance of Heading 3 (Citizenship, Freedom, Security and Justice)
could be questioned in terms of the volume of appropriations compared with all the other
headings, but is nevertheless acceptable in political terms; takes position in favour of the creation of an autonomous sub-heading for the Area of Freedom, Security and Justice within this heading, in order to ensure more visibility for this important political priority of the Union, and at the same time wishes to ensure that funding of the other parts of the heading is not reduced;

38. Recalls that once the Constitutional Treaty is in force and the distinction between compulsory and non-compulsory expenditure is abolished, the ring-fencing of resources for market-related expenditure and direct payments under Heading 2 will no longer exist;

Administrative expenditure

39. Is willing to maintain a structure which facilitates control by the budgetary authority over the Commission's administrative expenditure and is therefore against the proposal to remove this expenditure from Heading 5; considers nevertheless that the Activity-Based Budgeting (ABB) system introduced for the budgetary nomenclature should be preserved and further developed; therefore is in favour of leaving the Commission's administrative expenditure under each policy area but of establishing a binding ceiling outside the Financial Perspective table, with the possibility for this ceiling to be increased only by a decision of the budgetary authority, using any means offered by the future Interinstitutional Agreement; stresses that budgetary rigour should be upheld by all the EU Institutions;

Agencies

40. Is concerned about the constant increase of all types of agencies (decentralised, executive and regulatory agencies) and deplores that the Commission has not been able to provide details of multi-annual programming for agencies over the next financial framework; calls on the legislative authorities to take budgetary impacts into account when establishing new agencies; emphasises, in the same context, that the increase in the working tasks of individual agencies also has massive budgetary impacts on the EU budget; calls on the Member States, in connection with the establishment of new agencies, to take the necessary responsibility for their future financing;

41. Stresses that the development of agencies should in future be continuously examined by both the budgetary and legislative authorities, not only because of the administrative burden decentralised bodies create for the budget (2 735 staff on top of the Commission's establishment plans in the 2005 budget), but also because of the risk of intergovernmental influence on common policies through the presence of Member States representatives in their management boards and the lack of democratic accountability to Parliament;

42. Calls for an approach similar to that requested for the Commission's administrative expenditure, based on the establishment of a binding ceiling for the agencies, outside the Financial Perspective table, which can be increased only by a decision of the budgetary authority using all means offered by the future interinstitutional agreement; intends by these means to improve control and transparency over the agencies without adverse effects on the programmes;

Revision, flexibility and reserves

43. Recalls that during the current Financial Perspective, all the various instruments foreseen to increase the ceiling of the Financial Perspective, such as revision, adjustment, flexibility, and the Solidarity Fund, were mobilised following a joint agreement to
respond to permanent and structural needs or to finance unforeseen needs; stresses that flexibility is an indispensable tool in a multi-annual context; recalls that until 1999 the Financial Perspective was revised on a number of occasions and that, over recent years, and especially during the current Financial Perspective (2000-2006), the Flexibility Instrument has been mobilised six years out of seven, which clearly shows that some headings were underfinanced; calls, in future, for the flexibility mechanisms not to be used to finance permanent annual needs;

44. Emphasises that flexibility will play a crucial part in the European Parliament's negotiating position; will reject any attempt by the Council to agree on a financial framework without appropriate mechanisms to adapt it to future needs and considers that it is a major responsibility of the budgetary authority to provide for such mechanisms; believes that the volume and the instruments of flexibility are closely linked to the decision on the overall figures and the final structure and duration of the financial framework;

45. Therefore proposes:

- to accept the Commission proposal for a revision procedure with multi-annual effect to cover lasting changes of the financial framework which may be facilitated by being adopted by the same majority as for the adoption of the Budget (qualified majority in Council and absolute majority in Parliament),
- to accept the Commission proposal on flexibility for legislative acts but to increase this flexibility to 10%, above or below the amounts fixed under codecision,
- to reject the Commission proposal for the reallocation flexibility between headings,
- to create significant reserves for flexibility outside the financial framework to enable the Union to respond to unforeseen needs and unexpected crises;
- to plan an overhaul of the Financial Perspective if fundamental assumptions regarding economic development change, for example in the event of a significant deviation from the assumed growth rate of 2.3%;

46. Stresses that the principle of creating reserves for flexibility is a non-negotiable part of the overall agreement on the financial framework; considers that the level of flexibility should be closely linked to the global ceiling of the financial framework and that the amounts devoted to unforeseen needs should:

- be placed outside the financial framework,
- be mobilised pursuant to a Commission proposal by a decision of the budgetary authority,
- be financed:
  • through re-programming within the headings,
  • through the redeployment of unused appropriations within and across headings,
  • through new appropriations in the event that the first two means are insufficient;

Asks that in the event of new appropriations, the funds should be called from Members States only after the decision has been taken, reducing to an absolute minimum the burden for taxpayers; proposes that the budgetary authority should agree on a simplified procedure to speed up the implementation of each decision;
47. Considers that this overall flexibility should represent 0.03% of GNI (in line with point 20 of the Interinstitutional Agreement of 6 May 1999) and should be used for the following objectives:

- Reserve for competitiveness (up to a maximum of EUR 7 billion):
  new instrument replacing the Growth Adjustment Fund, proposed by the Commission, to be mobilised to boost growth and competitiveness and to allow the Union to react to economic changes

- Reserve for cohesion (up to a maximum of EUR 3 billion):
  new instrument aiming to develop a mechanism to be mobilised to react to economic shocks and abrupt changes in EU regions and Member States eligible under Heading 1b) even through the reprogramming of unused appropriations

- Reserve: Emergency Aid (up to a maximum of EUR 1.5 billion):
  existing instrument to be placed outside the Financial Perspective

- Reserve: Solidarity Fund (up to a maximum of EUR 6.2 billion)
  existing instrument that is already outside the Financial Perspective and that the Commission proposes to budget under the ceiling

- Reserve for loans guarantee (up to a maximum of EUR 3.0 billion):
  part of this reserve existed under Heading 4; the principle should be extended to guarantee the financing of transport and infrastructure projects; this instrument should be placed outside the Financial Perspective

- Reserve for flexibility (up to a maximum of EUR 3.5 billion):
  existing instrument already placed outside the Financial Perspective and with an increased amount of EUR 500 million;

Part III  Budgetary means and alternatives

48. Considers that the Commission proposal is globally acceptable; is of the opinion that if some headings have been overestimated, others do not reflect the ambitions that an enlarged Union of 490 million inhabitants could expect in political, economic and solidarity terms over the coming years;

49. Is of the opinion that options and alternatives need to be explored to find a compromise between the ambition to deepen European integration, budgetary rigour, the legitimate expectations of the new Member States and the Commission's proposals; is also willing to rebalance the global volume of expenditure according to its own political priorities for the future;

50. States, in consequence, as options for alternatives with respect to the Commission proposal and, as shown in the table annexed, that it:

- **Agriculture:**
  Observes that, in accordance with the Commission proposal, the volume of appropriations earmarked for agriculture will fall from 45% in 2007 to 35% in 2013; observes that, although it increases only by 3% over the period, it still represents a disproportionate
volume of appropriations which will be even higher if some policies are reduced compared with other policies; will reject any attempt to renationalise the CAP; is concerned that, in the absence of political and financial agreement, the funding of market-related measures and direct payments for Bulgaria and Romania above the ceiling agreed by the Council in 2002 for a Union of 25 remains in doubt, and proposes therefore that, in order to guarantee the level of support set by the decision of the European Council of October 2002, the possibility of a phasing-in process of compulsory co-financing should be initiated within EU-15 if the needs exceed the forecasts,

- **European Development Fund:**
  Recalls that the European Parliament has strongly supported the integration of the EDF into the general budget on the basis of the principle of the unity of the budget and for reasons of transparency, but observes that, in financial terms, the budgetisation should not jeopardise other policies; underlines therefore that the budgetisation is not acceptable if the overall ceiling of the financial framework remains below 1.09% of EU GNI (in payments),

- **Growth Adjustment Fund:**
  Takes a negative view of the Commission proposal; is in favour of a flexibility reserve for competitiveness as described in paragraph 47,

- **Solidarity Fund:**
  Considers it preferable to maintain the current system, financed as a reserve outside the ceilings with a maximum amount to be mobilised only when deemed necessary, as described in paragraph 47,

- **Emergency aid:**
  Takes a negative view of the Commission proposal to include Emergency Aid under the ceilings; proposes the creation of an Emergency Aid mechanism ring-fenced outside the ceiling to be funded when deemed necessary with the same mechanism as for the current Solidarity Fund, as described in paragraph 47,

- **Loans guarantee:**
  Takes a negative view of the Commission proposals for this mechanism under Heading 4 and proposes to extend a similar mechanism to other headings as described in paragraph 47,

- **Sub-Heading 1a) Competitiveness for Growth and Employment:**
  Considers that the "Lisbon objectives" should remain a priority for the Union in the next financial framework, and significant efforts must be made towards achieving the targets; considers that the budgetary means should be appropriate but realistic, increased but not overestimated, limited to subsidiarity and clear European added value; therefore fully supports the Commission proposal for research and TENs-T; proposes a global redeployment of EUR 4.5 billion from the margin and non priority activities towards Heading 3 (+ EUR 1.3 billion), Heading 4 (+ EUR 2.5 billion) and lifelong learning (+ EUR 670 million); additionally an internal redeployment of EUR 200 million from TEN-E to the Social agenda,

- **Heading 3: Citizenship, freedom, security and justice:**
  Takes the view that the policies to be financed under this heading, in particular Freedom, Security and Justice, as well as Youth and Culture, are high priorities for the Parliament; therefore, the global volume of appropriations should be increased by EUR 1.3 billion, of which + EUR 1 billion for fundamental rights and the fight against crime, EUR 140 million for Culture, and EUR 189 million for Youth,
- **Heading 4: The EU as a global partner (and CFSP):**
  Is of the opinion that the ambitions of the enlarged Union over the next period, in particular for Pre-Accession (IPA) and Neighbourhood and Partnership (ENPI) instruments, the need to finance crises, and the reshaping of foreign policy contained in the Draft Constitutional Treaty allow for an increase of EUR 2.5 billion and a redeployment of EUR 1.5 billion; underlines that the increase of EUR 900 million for the CFSP would only be made available after agreement with Council on the role of Parliament in decision-making,

- **Administrative expenditure:**
  Considers that the Commission's administrative expenditure should be reduced by EUR 2.9 billion in line with the rigour imposed on national administrations and bearing in mind the development of new forms of governance (agencies) and considering that successive enlargements should not systematically generate new resources;

51. **Believes that the negotiations should not only focus on percentages and figures but should also introduce other elements such as the principles of equity and gradualness which are fundamental to the EU, with a view to striking a balance which can meet the expectations of both Member States and citizens; calls on the Commission and the Council to consider these elements as *sine qua non* conditions for reaching an agreement with the European Parliament; states in this regard that it:**

- **Aspects linked to the Constitution:**
  is determined to reject any legal commitment which would have a negative binding effect once the Constitutional Treaty is in force; therefore urges the Council and the Commission to conclude a gentleman's agreement to safeguard the legislative powers of Parliament and to introduce a revision clause for legislative acts for which the procedure will change with the entry into force of the Constitutional Treaty, increasing the role of the European Parliament; urges the Commission and the Council to agree on such a commitment in the next Interinstitutional Agreement,

- **Financial Regulation:**
  Is convinced that the principles of sound management contained in the Financial Regulation and its implementing rules need to be reviewed to facilitate implementation and accelerate repayments (or reimbursements) to Member States; urges the Commission and the Council to agree on a recasting of the provisions which must facilitate implementation and simplify procedures,

- **Administrative Burden:**
  Stresses that the Commission should take action to simplify and improve the effectiveness of administrative management with regard to the implementation of Community programmes for its own services, Member States and final beneficiaries, especially as regards small scale projects; considers that a thorough analysis of the effectiveness of the administrative management of Community legislation should be made on each of these four levels, thus identifying the possibilities for increasing the effectiveness and efficiency of the use of administrative costs; proposes that this analysis should apply globally to the whole budget;

- **Certification by Member States:**
  Considers that Parliament, as part of the budgetary authority, has a responsibility to optimise the implementation of funding allocated by the Member States to the EU budget; is determined to improve the implementation of the programmes to be financed under the next financial framework; urges the Member States to provide a certification of their
financial commitments for all policies run under shared competencies through a formal 
ex-ante Disclosure Statement and an annual ex-post Declaration of Assurance, made by 
the Member States' highest political and managing authority (Finance Minister); in 
consequence, asks the Commission to introduce the appropriate mechanisms to suspend 
payments in the event of non-compliance with this request; is not ready to propose any 
significant increases in funding to programmes without guarantees by the Member States 
that they will commit the appropriations; considers the acceptance of the concept of 
"disclosure statements" to be a condition for Parliament's consent to a new 
Interinstitutional Agreement on the Financial Perspective;

- **Own resources and correction mechanism:**
  Endorses the conclusions of the European Council of December 2004 that the negotiations 
on the Union's expenditure must be seen in an overall context including the question of 
own resources, the correction mechanism and the examination of a possible implication of 
the system; calls for a revision of the own resources system which leads in the short term 
to a fairer distribution of net burdens and establishes, before the end of the next Financial 
Perspective, an independent EU funding system; proposes that the work of preparing such 
a new system should be conferred on an interparliamentary conference, involving the 
European Parliament and the national parliaments, in keeping with the spirit of the 
protocol to the Constitutional Treaty on the role of the national parliaments,

- **Financial instruments and co-financing**
  asks the Commission to make proposals to accompany the implementation of all common 
policies with new financial instruments and co-financing mechanisms; these instruments 
should address market failures and act as catalysts for private investors; budget 
optimisation and a high leverage effect should be key objectives; this is achieved, in 
particular, by SME guarantee instruments, but also by targeted venture capital support, 
including to business angels networks and technology transfer;

**Part IV  Recommendations for the standing committees on legislative aspects**

52. Considers that the following recommendations should constitute an indicative orientation 
for the specialised committees, without prejudice to future legislative decisions;

*Competitiveness and Innovation*

53. Remains concerned that previous innovation and competitiveness programmes have failed 
to deliver the necessary link between fundamental and applied research and industrial 
innovation partly due to the fact that the financial resources were rather limited; considers 
that the Commission should propose a simplification of its financial procedures with a 
view to facilitating the implementation of research policy; considers that financial 
instruments need to be rethought in a more fine-tuned, targeted way and that the 
establishment of an ambitious programme for Competitiveness and Innovation endowed 
with adequate financial resources is vital for supporting a "prosperity" oriented industrial 
policy, notably for SMEs, that would successfully capitalise on research through industrial 
applications, such as technology transfer from universities and research centres into 
industrial application; considers that further steps should be taken to foster development 
of the information society as proposed by the Commission, developing and promoting 
international standards for ICT and mobile telecommunication technology, monitoring the 
implementation of the electronic communications legislative framework, supporting EU 
benchmarking activities in the field of eEurope action plan initiatives and further 
enhancing EU security research; regards such a programme as essential in order to achieve
the objectives of the Lisbon Strategy in the sphere of new technologies and ecotechnologies; considers that adequate funding must be secured through the 7th EU Research Programme (FP7) and the Competitiveness and Innovation Framework Programme (CIP) for the EU Action Plan for Environmental Technologies (ETAP); calls for adequate funding for the support of innovative SMEs and initiatives aimed at helping the commercialisation of research and the transfer of technology, notably through EIF;

**Space Programme**

54. Notes that the European space policy is now a part of the Research Framework Programme; points out that, in anticipation of the entry into force of the relevant provisions of the Constitutional Treaty, where the Space Programme has its own legal base (Art. III-254), this should be treated as a separate policy area with its own clearly defined legal basis and be endowed with adequate financial resources and appropriate financial instruments to support space related research activities as well as the development and operation of infrastructures of Galileo and GMES, and EU access to space; believes that particular rules shall be introduced into the Framework Programme to enable the implementation of these specific activities;

**Trans-European Networks**

55. Notes that, due to the size of projects and their financial envelopes, there is no real substitute for national or Community funding; observes that the often-embraced hope of seeing growth in the participation of private investors remains for the moment, with a few rare exceptions, unrealised; takes note of the adoption of the new Regulation for the granting of Community financial aid in the field of Trans-European networks\(^1\) which allows aid to be concentrated on projects which have the greatest need (priority cross-frontier projects, or those crossing natural obstacles), and increases the maximum rate of support for priority projects to 20%-30% and to 50% in exceptional cases;

**The Social Policy Agenda**

56. Takes note of the legislative proposal for the new PROGRESS programme and stresses the importance and the need of a coherent European programme including adequate funding in this area, which stimulates action at national level; considers therefore that the financial framework of Progress must be increased if the European Union is really serious about implementing the Lisbon Strategy and the Social Policy Agenda;

**Cohesion**

57. Calls on the Commission to establish "development targets" and measurable, concrete and precise indicators with an economic, social and environmental dimension along the lines of the conclusions of the Lisbon and Gothenburg European Councils, to simplify current administrative procedures, in such a way as to ease the administrative burden on Member States, by means of a revision of the relevant provisions of the Financial Regulation if necessary; stresses that the cap of 4% of GNI on Structural Funds payments is based on previous experience but should be treated in a more elastic way; believes that a temporary further differentiation in EU co-financing rates of EU programmes could be considered; calls on the Member States to solve the problems with shared management and to improve the reliability of the controls they perform as well as their forecasting methods; calls further for a clear commitment and a precise timetable for the implementation of the

---

principle of Disclosure Statements by Member States’ highest political and executing authority (Finance Minister);

58. Points out that regional policy cannot be seen in isolation from regional aid law and calls for proposals to be coherent and for excessive disparity in assistance between neighbouring regions to be avoided, since this can lead to glaring distortions of competition; highlights the particular situation of the outermost regions (Article 299(2) of the EC Treaty), which require differential treatment vis-à-vis the cohesion policy parameters; proposes a transitional mechanism to allow the regions affected by the statistical effect to continue to require adequate support from the EU, since no region should feel that it has suffered as a result of enlargement; points out, furthermore, that the interaction between regional policy and competition policy in the regions affected by the statistical effect must be acknowledged and must be included in the analysis of the effects which current and future rules on state aid have (or will have) on such regions;

59. Welcomes the publication by the European Commission of a draft text which seeks to introduce an EU loan guarantee instrument for TEN projects in the transport sphere; takes the view that such an arrangement could be extended to cover other areas with the aim of fostering the investment required to achieve the Lisbon Objectives;

Agriculture

60. Considers that a major objective of the Common Agricultural Policy (CAP) is to guarantee the model of multifunctionality of the European agricultural sector, to secure the functioning of the internal market in agricultural products and appropriate incomes for farmers, to guarantee the availability of home-produced, high quality agricultural products, including high standards of animal health and welfare, to provide further support for rural areas which lag far behind urban areas in terms of income, infrastructure and access to services, to promote sustainable and environmentally friendly farming practices in order to preserve the environment and, against the background of the Lisbon Strategy, to strengthen the competitiveness of the European farming industry, so that it can make a contribution to securing jobs in the agricultural sector;

61. Notes the significant reforms of the Common Agricultural Policy and the common market organisations which the European Union has carried out since 1999; on that basis, calls on the Commission to make clear to the Union’s partners the major sacrifices which have already been made by Community producers as a result of those reforms and to defend, in the Doha development agenda trade negotiations, the multifunctional model for European agriculture; emphasises, further, the need to safeguard the Community preference, in particular by striking a fair and equitable balance between requests from the developing countries for market access and the stability and viability of Community markets, so that those markets can be effectively managed and crises which would impose additional financial burdens on the Union, and thus create fresh budgetary problems, can be avoided;

62. Recalls that the fundamental agricultural policy reform in 2003, including the reform of nearly all common market organisations, was based on the validity of the financial framework laid down in the decision of the European Council in October 2002; recalls furthermore that the European Parliament has agreed to the Treaty and Act concerning the conditions of the accession of the 10 new Member States, which based its financial aspects concerning agriculture on the European Council’s agreement;
Fisheries

63. Considers the Common Fisheries Policy (CFP) an essential element, amongst others, of the European Union's environmental efforts to rebalance the marine ecosystem, some species of which are being over-exploited; considers that the funding provided for by the Commission is the essential minimum required for conservation of stocks and for the purposes of achieving the objectives based on sustainable development which were agreed when the Common Fisheries Policy was reformed in 2002; considers that the CFP must take better account of the situation of fishermen and pay particular attention to the specific case of the extremely remote regions; believes that financial and regulatory changes should be made to both fisheries financial instruments and the Life Programme to allow them to play a role in the financing of the new marine Natura 2000 sites that the European Union agreed to, in the context of the OSPAR Convention;

Environment

64. Is of the opinion that the European Union's environmental policy has proven to be an essential instrument in contributing to mitigating the effects of climate change, halting the decline in natural habitats and bio-diversity, protecting water resources, improving the environment, health and the quality of life, promoting the sustainable use and management of natural resources and waste and developing strategic approaches to policy development, implementation and information/awareness raising as well as sustainable economic growth and employment and ecological cohesion;

65. Points out that environmental policy areas contribute to the attainment of the Lisbon and Gothenburg objectives; is strongly in favour of mainstreaming environmental policy areas into other policy areas; emphasises that environmental aspects and impacts such as environmental technologies, environmental research and nature protection have to be fully taken into account in financing policies under Heading 1 and under Heading 2;

An area of Freedom, Security and Justice

66. Welcomes the efforts to simplify and rationalise the current situation in this area through the definition of three framework programmes ("Solidarity", "Security" and "Justice"), which will also allow for greater flexibility in the allocation of priorities among the different actions, but stresses that this approach should not diminish the political and budgetary control by the European Parliament; warns that the introduction of the notion of "shared management with Member States" for implementing the programmes in this area needs to be accompanied by adequate control mechanisms;

67. Reserves, until after the Commission presents legislative proposals, its final opinion on the specific content of the programmes and particularly whether the proportion of the global funds proposed by the Commission for each program is adequate to give the necessary visibility to Parliament's main priorities in this area; the promotion of fundamental rights, the reinforcement of the security of citizens and the effective implementation of common immigration and asylum policies (particularly with regard to the Refugee Fund);

Consumer Protection and Public Health

68. Calls on the Commission to submit the legislative proposals for the new Consumer Policy and Public Health programme without any delay, in order to enable the European Parliament and the Council to begin legislative work in time to allow for an entry into
force of the programmes at the beginning of 2007; is still convinced that a division into a new Consumer Policy programme and a new Public Health programme will provide the best solution to meet the EU's priorities; underlines that the financial resources allocated to the new programme need to be substantially increased compared to the current situation; observes that the impact of the previous enlargement round and the future enlargement to countries with deficits in the health and consumer field as well as the proposed widening of the scope of the programme need to be taken into account;

*Education and Training*

69. Believes that an increase in the average Erasmus student mobility grant is necessary; believes that, over the lifetime of the programme, the Comenius sub-programme should aim to involve more pupils in joint educational activities; considers that these improvements to the programme require a substantial increase in the reference amount proposed by the Commission;

*Fostering European Culture and Diversity*

70. Underlines the significance of the audio-visual sector with respect to technological changes and innovative economic processes and stresses its possible contribution to the creation of a knowledge-based economy as envisaged by the Lisbon process; underlines that the development of the audio-visual sector is primarily dependent on the private sector, independent media and public funding of the member states; underlines the positive results of the current MEDIA programmes; underlines that the MEDIA programmes have proved to be very efficient and have demonstrated notable European added value in order to support the development of the sector; underlines that an adequate level of funding for the MEDIA 2007 programme is important and that the amount proposed by the Commission is the minimum necessary to attain the goals of the programme;

71. Welcomes the integration of several activities with extremely small financial frameworks into the new CULTURE 2000 Programme and emphasises that an adequate level of funding in this area remains crucial, drawing attention to the need to include the main activities of the action programme for 2004-2006 within the new multi-annual framework; calls on the Commission to promote activities under the European Pact for Youth which was adopted at the 22-23 March 2005 European Council; endorses the view expressed by the Ministers of Culture meeting in Rotterdam in July 2004 that the budget for culture should be substantially increased;

*External policies*

72. Welcomes in principle the simplification of financing instruments under Heading 4 but questions whether the number and breakdown proposed by the Commission is appropriate with respect to transparency, visibility and democratic scrutiny in the use of funds; considers particularly that:

- the legal bases for the new financing instruments lay down clearly Parliament's role in defining the objectives of the geographical or thematic programmes which will be derived from those instruments,

- the proposal on Development Cooperation and Economic Cooperation should be revised on the basis of a geographic structure which draws a very clear distinction between aid for developing countries and cooperation with industrialised countries, with appropriations
allocated in accordance with thematic guidelines which correspond to the Union's priorities and horizontal political objectives,

- the legal bases of the Pre-Accession Instrument and the Stability Instrument should be revised to allow use of the codecision procedure,

- the environment is a full component of EU External Actions as well as Internal Actions; underlines the European Union's responsibility to address global environmental challenges through external programmes, defined with developing partner countries,

- the Commission should propose a separate regulation providing the necessary flexibility for the European Initiative for Democracy and Human Rights (budget line 19-04), as the only EU external instrument which does not require host country consent, and should also concede the restoration of full parliamentary oversight for the programme;

73. Instructs its President to forward this resolution to the Council, the Commission and the other institutions and bodies concerned, to the national governments and parliaments of the European Union.
## Financial Framework 2007-2011

### Commitment appropriations

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>total 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Sustainable growth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1b. Cohesion</td>
<td>46.602</td>
<td>47.455</td>
<td>48.183</td>
<td>48.351</td>
<td>48.509</td>
<td>239.100</td>
</tr>
<tr>
<td><strong>2. Preservation and management of natural resources</strong></td>
<td>56.744</td>
<td>56.866</td>
<td>56.980</td>
<td>56.747</td>
<td>56.524</td>
<td>283.861</td>
</tr>
<tr>
<td>of which: Agriculture</td>
<td>43.120</td>
<td>42.697</td>
<td>42.279</td>
<td>41.864</td>
<td>41.453</td>
<td>211.413</td>
</tr>
<tr>
<td><strong>3. Citizenship, freedom, security and justice</strong></td>
<td>1.777</td>
<td>2.156</td>
<td>2.470</td>
<td>2.778</td>
<td>3.096</td>
<td>12.276</td>
</tr>
<tr>
<td><strong>4. The EU as a global partner</strong></td>
<td>8.235</td>
<td>8.795</td>
<td>9.343</td>
<td>10.050</td>
<td>10.782</td>
<td>47.204</td>
</tr>
<tr>
<td>Compensations</td>
<td>419</td>
<td>191</td>
<td>190</td>
<td></td>
<td></td>
<td>800</td>
</tr>
<tr>
<td><strong>TOTAL appropriations for commitments</strong></td>
<td>128.462</td>
<td>132.434</td>
<td>136.493</td>
<td>139.223</td>
<td>142.326</td>
<td>678.937</td>
</tr>
<tr>
<td>Commitment appropriations over GNI</td>
<td>1.17%</td>
<td>1.18%</td>
<td>1.19%</td>
<td>1.18%</td>
<td>1.18%</td>
<td>1.18%</td>
</tr>
</tbody>
</table>

### Ceiling Administrative expenditure of the Commission

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ceiling Agencies (estimation)</td>
<td>307</td>
<td>313</td>
<td>320</td>
<td>326</td>
<td>332</td>
<td>1.598</td>
</tr>
</tbody>
</table>

### TOTAL appropriations for payments

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL appropriations for payments</strong></td>
<td>116.403</td>
<td>120.003</td>
<td>123.680</td>
<td>126.154</td>
<td>128.966</td>
<td>615.205</td>
</tr>
<tr>
<td>Payments over GNI</td>
<td>1.06%</td>
<td>1.07%</td>
<td>1.08%</td>
<td>1.07%</td>
<td>1.07%</td>
<td>1.07%</td>
</tr>
</tbody>
</table>

---

1 Based on the Commission working document SEC(2005) 494 final (technical adjustments)
EXPLANATORY STATEMENT

OVERVIEW AND STATE OF PLAY

Background

Contents of the financial perspective

Since 1988, a multiannual financial framework "financial perspective" serves as a reference for the annual budget of the European Union.

The current financial framework covers the period 2000-2006. It has been formalised in the Interinstitutional Agreement (IIA) of 6 May 1999 between the European Parliament, the Council and the Commission. This agreement is based on the conclusions of the European Council of Berlin of 24 and 25 March 1999, modified following the negotiations with the Parliament who obtained an increase of the ceilings of heading 3 (for the internal policies) and 5 (for the pensions) by EUR 2 billion. The current financial perspective has been adjusted and revised in 2003 to take account of the budgetary impact of enlargement. The financial perspective is presented under the form of a table which contains three main elements:

- The breakdown and the annual ceilings for each heading (agriculture, structural funds etc…). The financial perspective establishes the ceiling for commitments per heading and per year.

- The global ceiling of expenditure is composed of two indicators: a ceiling for commitments (sum of the commitment appropriations of the various headings) and a ceiling for payment appropriations linked to commitments and expressed in percentage of Community GNI (Gross National Income) based on forecasts. The ceilings represent the maximum level of expenditure in commitments and payments authorised for the annual budgets. National contributions are calculated annually on the basis of the payment appropriations entered into the budget.

- The ceiling of own resources is fixed by a Council decision. It establishes the maximum amount of the national contributions and is based on the Community GNI.

Nature and limits of the financial perspective

Currently the financial perspective is foreseen neither by the Treaty nor by Community legislation. They are formalised by an interinstitutional agreement sui generis between the Parliament, the Council and the Commission which reflects a consensus between them and hence gives legitimacy to the mechanism (soft law). The final decision is subject to the agreement of EP and Council, who express their common will for budgetary discipline in the Interinstitutional Agreement.

1 OJ C 172, 18.6.1999, p. 1
The financial perspective represents a multiannual framework for annual budgets which are decided by the budgetary authority according to the rules of the Treaty and the procedures laid down by the IIA.

Once agreed, the ceilings must be respected although the IIA foresees that they can be modified in different circumstances: revision, flexibility for enlargement, creation of the Solidarity Fund etc…

The Constitution for Europe will contain a reference to the multiannual financial framework which will become a European law decided by the Council after obtaining the consent of the European Parliament (article I-54 (2) (4)).

The next financial perspective (2007-2013) will of course be adopted under the current procedure.

The first two financial perspectives have been accompanied by an increase of the ceiling of own resources. This has not been the case for the third (and current) one.

1988-1992 from 1.15% to 1.20% of GNP
1993-1999 from 1.24% to 1.27% of GNP
2000-2006 1.27% of GNP (or 1.24% of GNI)

With the financial perspective, the European Parliament has sacrificed certain competences in exchange for an increase of resources to develop new policies favouring European integration even if the last (and current) financial perspective has created more and more tension because of insufficient resources and too much rigidity.

What would happen in absence of agreement?

Article 26 of the Interinstitutional Agreement of 6 May 1999 contains the following provisions:

26. Should the two arms of the budgetary authority fail to agree on a new financial perspective, and unless the existing financial perspective is expressly denounced by one of the parties to this Agreement, the ceilings for the last year covered by the existing financial perspective will be adjusted in accordance with paragraph 15 by applying to these amounts the average rate of increase observed over the preceding period, excluding any adjustments made to take account of enlargement of the Union. This rate of increase may not, however, exceed the rate of growth of Community GNP for the year concerned.

The rapporteur points out that the new financial perspective should normally be agreed upon before the Commission starts to prepare the PDB for 2007.

The Treaty keeps primacy over the IIA, which means that in absence of a multiannual framework, the provisions for annual budgets apply, where the only limit imposed to EP is the respect of the MRI (article 272, para. 9).

The context

In 2007 the European Union will celebrate three important anniversaries which could be favourable to launch new initiatives to consolidate its experience and maturity and to face future challenges: 50 years of the Treaty of Rome, 20 years of financial perspective, 5 years of single currency.
However, the preparation of the next financial perspective will be carried out along a period of high political tension: difficult economic and social context imposed on national treasuries by the budgetary constraints, ratification of the Constitution and electoral campaigns in several Member States.

Every time the financial perspectives have reflected strategic orientations and major political choices:

- 1988-1992: end of budgetary crisis, end of agriculture supremacy in the budget, launch of structural policies
- 1993-1999: significant increase of the structural funds (+41%), which became the privileged instrument for economic and social cohesion as a basis for the single currency
- 2000-2006: stabilisation of the Community budget, no increase of own resources, savings made to finance enlargement.

So far the rapporteur is convinced that the next financial perspective will reflect the degree of political will to provide adequate means for the European Union with regard to its ambitions and expectations in respect of budgetary discipline and on the basis of an evaluation of Community added value.

The financial framework proposed by the Commission in February 2004 is not a proposal on its own, but it is accompanied by the renewal of a very substantial part of the legislation.

Your rapporteur considers that to establish the position of the European Parliament on the financial framework, it is necessary to set the political priorities on the legislative side, in terms of necessity for European regulation and the relative level of funding.

**State of play**

*Within the Commission*

According to article 26 of the IIA of 6 May 1999,

before 1 July 2005 the Commission will present proposals for a medium term financial perspective.

In February 2004, the Commission adopted a communication on the next financial perspective for the period 2007-2013.¹ This communication is based on the conclusions of an internal working group composed of six commissioners entrusted to predefine the political framework and to identify the needs.

Later, in July 2004, the Commission adopted the main part of the so-called "Prodi package" composed of another three communications² and 24 legislative proposals. A second set of legislative proposals was adopted on 29 September.

The rapporteur underlines that for the first time in the history of the Union, almost all the programmes are terminating at the same time (2006). This was the main argument given by the Commission to anticipate the presentation of the FP and related legislative proposals, in order to ensure continuity.

*Within Council*

---

An ad hoc Group on Financial Perspectives set up by the Irish Presidency and composed of representatives of the General Affairs Council is in charge of preparing the work for COREPER and coordinating the examination of the specific aspects for the specialised councils. A first set of conclusions was already submitted to the European Council of December.

Under the Dutch Presidency, the ad hoc group continued the examination of the different proposals through a more in depth analysis of the various headings, aiming to portray the general range of Member States' positions in building blocks.

The European Council might be in a position to adopt orientations in December 2004, but conclusions are not expected before the European Council of June 2005.

*Within Parliament*

Before the end of its 5th term, the European Parliament adopted a report¹ which gives general orientations on the first communication of the Commission (COM(2004) 101) with the clear mandate to have no prejudice to the next Parliament's views:

6. Is determined, for democratic reasons, to take no decision during this parliamentary term which might restrict the scope or decision-making by the Parliament elected in June 2004; however with a view of institutional continuity, invites the next Parliament, the next Commission and the enlarged Council to take account of the orientations contained in this report as a basis for future negotiations;

The rapporteur finds it nevertheless useful to recall the main orientations given by the former Parliament on the above mentioned communication in view of a reassessment and an evaluation for the forthcoming debates.

- Under the current Treaty, there is no obligation for a financial perspective. Therefore, there will be no financial perspective without an agreement between EP and Council on the financial package (para. 5).

- The need to consider the added value of Community spending over national budgets (para. 7)

- The necessity for the next FP to allow the financing of the crucial and strategic objectives mentioned in the Constitution

- The timeframe should be better adapted to the mandates of the Parliament and the Commission, i.e. 5 years (para. 13). This request is in accordance with the Constitution, which provides for a multiannual framework of "at least 5 years" (article III-308)

- The European Parliament is not bound by the decision taken by the European Council of October 2002 on agricultural spending until 2013 (para. 14 and 26).

- The ratio between commitments and payments foreseen by the Commission in its proposal is questionable (para 15 and 19)

- The Community budget has increased by 8.2% over the period 1999-2002 compared to the average increase of 22.9% of national budgets (para. 18).

• The structure of the current financial perspective has proved its efficiency. A restricted number of headings should not create more rigidity (para. 22).

• EDF should be budgetised according to the principle of unity and to ensure a democratic control over an important part of EU development policy (para. 29).

• Openness to evaluate proposals for a general correction mechanism based on the principle of Community solidarity (para. 30).

While the first communication (COM(2004) 101 final) aimed to identify the political project for the enlarged Union and made proposals for a new financial framework, the second communication (COM(2004) 487 final) provides goals for the financing proposed. The Commission strongly stresses the Community added value such as:

- effectiveness: result can only be achieved through action at EU level (ex. education and training)

- efficiency: EU action offers better value for money (ex. research, Solidarity Fund, immigration and asylum)

- synergy: EU action to complement, stimulate and leverage action (ex. cohesion policy, external relations)

- better governance in implementing policy (new instruments)

The rapporteur considers that these principles should not apply globally but should be evaluated on a case by case basis and verified for each policy.

In order to open the debate in the context of the 6th term the rapporteur wishes to raise the following questions:

- Can the analysis of the Wynn report be shared?

- Is the new thematic approach relevant?

- Does it provide better visibility for the citizens on the action of the EU?

- Should EP consider that some existing policies should be discontinued in the next financial perspective?

- Is the timeframe of seven years acceptable?

- Is it reasonable to split existing the heading 3 (internal policies) over three different headings (1a), (1b) and 3)?

- Is heading 3 (with only EUR 1.3 billion over the period) justified in comparison to the others?

- Is heading 5 excluding Commission's administrative expenditure acceptable or should it remain visible in a separate heading?

*The temporary committee*
At its September sitting, the Parliament decided to set up a temporary committee with a view to determining Parliament's negotiating position for the next financial perspective.¹

In accordance with its mandate, the temporary committee should be in a position to deliver its report containing EP's negotiating position in April 2005 in view of the European Council of June 2005. Therefore, all committees concerned² should adopt their opinions for the temporary committee by January 2005 at the latest.

Once EP's position is fixed, the legislative work can start in consistency with EP's negotiating position. Each legislative and budgetary proposal will be dealt with in accordance with their respective competences.

Concerning the working method to achieve a coherent position, the rapporteur stresses the importance of following a bottom-up approach establishing political priorities for the future and identifying positive and negative priorities on the basis of the existing programmes or new initiatives to be developed. Specific trialogues with the Commission and the Council should be called for if necessary.

A first debate and orientation of the committee on these general questions could facilitate the work of the rapporteur.

Your rapporteur considers that the Committee on Budgets should contribute actively to the work of the temporary committee expressing its position on all areas of its competences.

---

¹ B6-0030/2004
² AFET, DEVE, EMPL, ENVI, ITRE, IMCO, TRAN, REGIO, AGRI, CULT, LIBE, FEMM
WORKING DOCUMENT NO 1: ORGANISATION AND WORKING METHODS

In parallel to the presentation of the goals and financial instruments described in its two general Communications of 10 February and 14 July 2004 respectively, the Commission has adopted two sets of legislative proposals in order to ensure the continuity of Community legislation. Other proposals are expected before the end of the year and in early 2005.

Most of Community programmes are expiring in 2006. So far for the first time, the EU legislation is closely linked to the financial framework for the timing and for the contents. Ensuring coherence between its political priorities and its position on the next financial perspective is the aim of the Temporary Committee created by the Parliament.

Your rapporteur considers that on the basis of the mandate to the temporary Committee, the aim should be to build a consensus identifying EP's political priorities and the relative financial support to be given to each sector. Your rapporteur believes that a bottom-up approach could facilitate the discussion.

In order to facilitate this work your rapporteur considers useful to present a two fold support through a set of working documents dealing with horizontal issues (structure of the FP, flexibility, ratio between commitments and payments, agencies and administrative expenditure etc...) on the one hand and an in-depth analysis of each heading according common standards on the other. The criteria proposed for such analysis could be the following:

- analysis of the current legislation (until 2006) under the new headings
- identification of programmes continued, discontinued, merged
- new proposals from 2007 onwards
- identification of positive and negative priorities under each heading, sub-heading
- demonstration of subsidiarity, proportionality, efficiency and added value of the European action
- specific problems per heading
- possible margin (and flexibility) per heading
- simplification of the financial instruments

The rapporteur points out that such working programme should be carried out taking into account as far as possible the debates in the specialised committees and without prejudice of their opinion to the Temporary committee.

The rapporteur underlines his wish to keep close contacts with the specialised committees in view of forming a consensual position of the European Parliament for the Financial Perspectives 2007-2013. The so-called "Prodi-package" consists of some 50 legislative proposals with budgetary implications and a coherent approach between legislative and budgetary aspects needs to be found. For the legislative proposals, part of which have already been transmitted to the European Parliament, the calendars of both the temporary committee and the specialised committees need to be co-ordinated. The specialised committees can certainly start to examine the legislative proposals linked to the package in parallel with
the work of the temporary committee. However, in order to maintain coherence with the position taken by the EP in the report of the temporary committee, the rapporteur stresses that no reference to the financial amounts should be adopted by the Parliament before the report of the temporary committee.

The following ways of co-operation with the specialised committees could be envisaged:

- sending a letter to the chairs of the specialised committees informing about the procedure and the likely timetable and inviting the committees to deliver an opinion to the temporary committee by January 2005;
- inviting the chairman and the draftspersons of the specialised committees each time the temporary committee will discuss an issue falling under their competence;
- requesting that the rapporteur of the temporary committee be invited to the meetings of the specialised committees when a point relating with the financial perspective is on the agenda;
- holding bilateral meetings between rapporteur and the draftspersons in the specialised committees;
- informing via its chairman the Conference of Committee Chairs of the work in progress as well as the Conference of Presidents.

Your rapporteur asks the committee to agree:

- on the proposals concerning the scheme of the working documents;
- on the aim to present a report in plenary in April 2005, on the assumption that Council respects its calendar, in order to fix EP’s position before the European Council of June 2005 under the Luxembourgish Presidency;
- to ask the specialised committees to present their opinion to the temporary committees by January 2005;
- to ask the specialised committees to concentrate their opinion on the mandate of the temporary committee;
- to present an oral question in accordance with rule 108 of the Rules of Procedure to the Council and to the Commission in view of a debate in the plenary session of December I or December II.
WORKING DOCUMENT NO 2: STATE OF PLAY

Introduction

The Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013 was set up by the European Parliament on 15 September 2004. With this decision, the Parliament follows the successful practice of previous temporary committees in the context of the preparation of financial perspectives (Delors I and Delors II-packages).

The Parliament has authorised a clear and demanding mandate for the committee, namely to define the Parliament's political priorities for the future financial perspective both in legislative and budgetary terms. In other words, this committee should aim at identifying the political agenda and challenges of the European Union for the next period.

Moreover, in general and interinstitutional terms, this temporary committee will have the possibility
- to foster the visibility of the European Parliament as an equal player beside the Council in the development of the future financial framework;
- to show that the European Parliament can develop political solutions with a real European added value;
- to provide for a framework which will help the Parliament itself to fully use its possibilities.

Background

Contents of the financial perspective

Since 1988, a multiannual financial framework "financial perspective" serves as a reference for the annual budget of the European Union.

The current financial framework covers the period 2000-2006. It has been formalised in the Interinstitutional Agreement (IIA) of 6 May 1999 between the European Parliament, the Council and the Commission. This agreement is based on the Common position of Council as summarised in the conclusions of the European Council of Berlin of 24 and 25 March 1999, and the negotiations with Parliament, which obtained an increase of the ceilings of heading 3 (for internal policies) and 5 (for pensions) by EUR 2 billion, as well as the establishment of the Flexibility Instrument and the incorporation of other modifications. The current financial perspective has been adjusted and revised in 2003 to take account of the budgetary impact of enlargement. The financial perspective is presented under the form of a table and constitutes a multi-annual framework for expenditure, which can be characterised by two main elements:

- The breakdown and the annual ceilings for each heading (agriculture, structural funds etc…). The financial perspective establishes the ceiling for commitments per heading and per year.

---

1 The rapporteur presented part of this working document in the Committee on Budgets at its meeting of 13 October 2004.
2 OJ C 172, 18.6.1999, p. 1
• The global ceiling of expenditure is composed of two indicators: a ceiling for commitments (sum of the commitment appropriations of the various headings) and a ceiling for payment appropriations linked to commitments and expressed in percentage of Community GNI (Gross National Income) based on forecasts. The ceilings represent the maximum level of expenditure in commitments and payments authorised for the annual budgets. National contributions are calculated annually on the basis of the payment appropriations entered into the budget.

The ceiling of own resources, which is also indicated in the above mentioned table, defines the maximum amount for the revenue of the EU-budget and is fixed by a separate Council decision. Herewith, it establishes the maximum amount of the national contributions and is based on the Community GNI. According to the decision in force\(^1\), the ceiling represents 1.24% of the cumulated Community GNI.

*Nature and limits of the financial perspective*

Currently the financial perspective is foreseen neither by the Treaty nor by Community legislation. They are formalised by an interinstitutional agreement sui generis between the Parliament, the Council and the Commission which reflects a consensus between them and hence gives legitimacy to the mechanism (soft law). The final decision is subject to the agreement of EP and Council, who express their common will for budgetary discipline in the Interinstitutional Agreement.

The financial perspective represents a multiannual framework for annual budgets which are decided by the budgetary authority according to the rules of the Treaty and the procedures laid down by the IIA.

Once agreed, the ceilings must be respected although the IIA foresees that they can be modified in different circumstances: revision, flexibility for enlargement, creation of the Solidarity Fund etc…

The Constitution for Europe incorporates the multiannual financial framework which will become a European law decided by the Council after obtaining the consent of and following a conciliation with the European Parliament (article I-54; article II-308).

The next financial perspective (2007-2013) will be adopted under the current procedure.

The first two financial perspectives have been accompanied by an increase of the ceiling of own resources. This has not been the case for the third (and current) one.

1988-1992 from 1.15% to 1.20% of GNP  
1993-1999 from 1.24% to 1.27% of GNP  
2000-2006 1.27% of GNP (or 1.24% of GNI)

With the financial perspective, the European Parliament has also sacrificed certain competences in exchange for both a more sustainable structure of the budget and an increase of resources to provide for new policies favouring European integration (multi-annual programmes). The creation of new tasks and bodies has created more and more pressure on the current financial perspective, due to insufficient resources and rigidity.

*What would happen in absence of agreement?*

Article 26 of the Interinstitutional Agreement of 6 May 1999 contains the following provisions:

\(^1\) Council decision N° 597/2000/EC
26. Should the two arms of the budgetary authority fail to agree on a new financial perspective, and unless the existing financial perspective is expressly denounced by one of the parties to this Agreement, the ceilings for the last year covered by the existing financial perspective will be adjusted in accordance with paragraph 15 by applying to these amounts the average rate of increase observed over the preceding period, excluding any adjustments made to take account of enlargement of the Union. This rate of increase may not, however, exceed the rate of growth of Community GNP for the year concerned.

The rapporteur points out that the new financial perspective should normally be agreed upon before the Commission starts to prepare the PDB for 2007.

The Treaty keeps primacy over the IIA, which means that in absence of a multiannual framework, the provisions for annual budgets apply, where the only limit imposed to EP is the respect of the maximum rate of increase (MRI; article 272, para. 9).

The context

In 2007 the European Union will celebrate three important anniversaries which could be favourable to launch new initiatives to consolidate its experience and maturity and to face future challenges: 50 years of the Treaty of Rome, 20 years of financial perspective, 5 years of single currency.

However, the preparation of the next financial perspective will be carried out along a period of high political tension: difficult economic and social context imposed on national treasuries by the budgetary constraints, ratification of the Constitution, possibly new accessions and electoral campaigns in several Member States.

Every time the financial perspectives have reflected strategic orientations and major political choices:

- 1988-1992: end of budgetary crisis, end of agriculture supremacy in the budget, launch of structural policies
- 1993-1999: significant increase of the structural funds (+41%), which became the privileged instrument for economic and social cohesion as a basis for the single currency
- 2000-2006: stabilisation of the Community budget, no increase of own resources, savings made to finance enlargement.

So far the rapporteur is convinced that the next financial perspective will reflect the degree of political will to provide adequate means for the European Union with regard to its ambitions and expectations in respect of budgetary discipline and on the basis of an evaluation of Community added value.

The financial framework proposed by the Commission in February 2004 is not a proposal on its own, but it is accompanied by the renewal of a very substantial part of the legislation.

Your rapporteur considers that to establish the position of the European Parliament on the financial framework, it is necessary to set the political priorities on the legislative side, in terms of necessity for European regulation and the relative level of funding.

State of play

Within the Commission

RR\567902EN.doc 37/289 PE 353.270v0 4-00
According to article 26 of the IIA of 6 May 1999,

before 1 July 2005 the Commission will present proposals for a medium term financial perspective.

In February 2004, the Commission adopted a communication on the next financial perspective for the period 2007-2013.¹ This communication is based on the conclusions of an internal working group composed of six commissioners entrusted to predefine the political framework and to identify the needs.

Later, in July 2004, the Commission adopted the main part of the so-called "Prodi package" composed of another three communications² and 24 legislative proposals. A second set of legislative proposals was adopted on 29 September.

The rapporteur underlines that for the first time in the history of the Union, almost all the programmes are terminating at the same time (2006). This was the main argument given by the Commission to anticipate the presentation of the FP and related legislative proposals, in order to ensure continuity.

Within Council

An ad hoc Group on Financial Perspectives set up by the Irish Presidency and composed of representatives of the General Affairs Council is in charge of preparing the work for COREPER and coordinating the examination of the specific aspects for the specialised councils. A first set of conclusions was already submitted to the European Council of December.

Under the Dutch Presidency, the ad hoc group continued the examination of the different proposals through a more in depth analysis of the various headings, aiming to portray the general range of Member States' positions in building blocks.

The European Council might be in a position to adopt orientations in December 2004, but conclusions are not expected before the European Council of June 2005.

Within Parliament

Before the end of its Vth term, the European Parliament adopted a report³ which gives general orientations on the first communication of the Commission (COM(2004) 101) with the clear mandate to have no prejudice to the next Parliament's views:

6. Is determined, for democratic reasons, to take no decision during this parliamentary term which might restrict the scope or decision-making by the Parliament elected in June 2004; however with a view of institutional continuity, invites the next Parliament, the next Commission and the enlarged Council to take account of the orientations contained in this report as a basis for future negotiations;

The rapporteur finds it useful to recall the main orientations given by the former Parliament on the above mentioned communication in view of a reassessment and an evaluation for the forthcoming debates.

• Under the current Treaty, there is no obligation for a financial perspective. Therefore, there will be no financial perspective without an agreement between EP and Council on the financial package (para. 5).

• The need to consider the added value of Community spending over national budgets (para. 7)

• The necessity for the next FP to allow the financing of the crucial and strategic objectives mentioned in the Constitution

• The timeframe should be better adapted to the mandates of the Parliament and the Commission, i.e. 5 years (para. 13). This request is in accordance with the Constitution, which provides for a multiannual framework of "at least 5 years" (article III-308)

• The European Parliament is not bound by the decision taken by the European Council of October 2002 on agricultural spending until 2013 (para. 14 and 26).

• The ratio between commitments and payments foreseen by the Commission in its proposal is questionable (para 15 and 19)

• The Community budget has increased by 8.2% over the period 1999-2002 compared to the average increase of 22.9% of national budgets (para. 18).

• The structure of the current financial perspective has proved its efficiency. A restricted number of headings should not create more rigidity (para. 22).

• EDF should be budgetised according to the principle of unity and to ensure a democratic control over an important part of EU development policy (para. 29).

• Openness to evaluate proposals for a general correction mechanism based on the principle of Community solidarity (para. 30).

In order to open the debate in the context of the VIth term, the rapporteur wishes to raise a number of general questions:

- Is the timeframe of seven years acceptable?
- Does the Commission proposal match with the medium-term political tasks and challenges of the European Union for the next decade?
- Does the Commission proposal set sufficiently clear priorities for the European Union of 25 and more Member States?
- Should the European Union change/discontinue some of its current activities in the light of its future challenges and the budgetary constraints of the Member States?
- Should the European Parliament consider that some existing policies should be discontinued in the next financial perspective?
- Should alternative financial instruments be explored?
- Should new tasks be included into the Union's activities?
- Are the flexibility and revision mechanisms appropriate to finance unforeseen new activities including future enlargements?

- Is the thematic approach of the new structure of the financial perspective relevant?

- Does it provide better visibility for the citizens on the action of the EU?

- Will the split of the existing heading 3 (internal policies) over three different headings (1a), 1b) and 3) not increase the rigidity of the system?

- Is the new heading 3 justified in comparison to the others in terms of volume of appropriations?

- Is heading 5 excluding Commission's administrative expenditure acceptable or should it remain visible in a separate heading to ensure a better distribution between operational and administrative expenditure?

- Should decentralised agencies be identified in a specific subheading?
The second Communication from the Commission to the Council and the European Parliament *Financial Perspective 2007-2013* provides for the substance of the political goals set up in the earlier Communication of 10 February *Building our Common Future policy Challenges and budgetary means of the enlarged Union 2007-2013*.

The second Communication contains two parts:

- in the first part, the Commission highlights the reasons, the needs and the added value of European action to meet the political goals reflected in the Treaty and the Constitution;

- in the second part, the Commission presents the programmes to be financed under the new Financial perspectives, in view of making reality of political goals. An overview of all the new programmes due to start after 2006, is made for each heading;

In his working document No 1, the rapporteur had annexed a corresponding table between the new programmes proposed by the Commission under each heading and the nomenclature of the budget under the current financial perspective.

In working document No 3, the rapporteur makes a first analysis of the figures by indicating the increase (or decrease) foreseen by the Commission for each major category of spending under the various headings, over the period 2007-2013.

The rapporteur wishes to stress some key points:

- This is only a first and global analysis limited to the main spending categories and not programme-based, but the rapporteur considers that it can serve as a guide to identify the forecasts of political priorities.

- The calculation is based on the comparison between the amount programmed for the year 2006 and the total of the spending over a seven years period. The total increase/decrease is given both in global value and in percentage.

- The new structure of the financial perspective is based on the Activity Based Budgeting method aiming at identifying the global cost of the policies. Therefore, the administrative expenditure necessary to implement the programmes is included in the global amount. This elements should be taken into account when comparing the current funding dedicated to the current programmes with the new structure.

- The profile of expenditure is based on current prices (basis 2006) and not on constant prices.

**Heading 1 - Sustainable growth**

---

1 COM(2004) 487 final
2 COM(2004) 101 final
Sub-heading 1a: Competitiveness for growth and employment

- This sub-headings contains the policies linked to the Lisbon strategy. To achieve the aim of transforming the EU into a dynamic knowledge-based economy geared to growth, the Commission sets out five objectives under which contributing policies and/or targets are grouped. These are: promoting competitiveness in a fully-integrated single market; research and technological development; connecting Europe through EU networks; education and training, and the social policy agenda. The approaching mid-term review of the Lisbon strategy shows the need to speed up pace in this policy area. Increased spending at European level is an essential component of the strategy.

  - Research and Development: budget increase (159%)
  - Transport and Energy: budget increase (309%)
  - Education and training: budget increase (323%)
  - Social policy: budget increase (115%)
  - introduction of Growth and Adjustment Fund, including proposal to redeploy to sub-Heading 1a unused appropriations from sub-Heading 1b

- Research and Development

  The aim is to establish a European Research Area by promoting scientific and technological excellence in view to achieve "3%" investment in research and innovation. This category of spending will mainly cover the 7th Framework Programme.

<table>
<thead>
<tr>
<th>European Research Area</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20%</td>
<td>19%</td>
<td>16%</td>
<td>14%</td>
<td>12%</td>
<td>11%</td>
<td>10%</td>
<td>15%</td>
<td>average increase</td>
</tr>
<tr>
<td></td>
<td>1.069</td>
<td>1.200</td>
<td>1.225</td>
<td>1.200</td>
<td>1.225</td>
<td>1.200</td>
<td>1.225</td>
<td>159%</td>
<td>increase over 2006</td>
</tr>
</tbody>
</table>

- Trans-European transport and energy networks

  The aim is to promote the competitiveness, security and environmental sustainability of EU transport, energy and telecom networks. This category of spending will contain two main instruments: Marco Polo programme and Galileo.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.175</td>
<td>1.675</td>
<td>2.200</td>
<td>2.725</td>
<td>3.250</td>
<td>3.775</td>
<td>4.275</td>
<td>4.800</td>
<td>22.700</td>
</tr>
<tr>
<td></td>
<td>43%</td>
<td>31%</td>
<td>24%</td>
<td>19%</td>
<td>16%</td>
<td>13%</td>
<td>12%</td>
<td>23%</td>
<td>average increase</td>
</tr>
<tr>
<td></td>
<td>500</td>
<td>525</td>
<td>525</td>
<td>525</td>
<td>525</td>
<td>500</td>
<td>525</td>
<td>309%</td>
<td>increase over 2006</td>
</tr>
</tbody>
</table>
• Education and training

The improvement of these policies is made through the reshaping of the current programmes (Erasmus, Erasmus Mundus, Socrates, Leonardo da Vinci) into fewer instruments.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>650</td>
<td>950</td>
<td>1.250</td>
<td>1.550</td>
<td>1.850</td>
<td>2.150</td>
<td>2.450</td>
<td>2.750</td>
<td>12.950</td>
</tr>
<tr>
<td></td>
<td>46%</td>
<td>32%</td>
<td>24%</td>
<td>19%</td>
<td>16%</td>
<td>14%</td>
<td>12%</td>
<td></td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td></td>
<td>323%</td>
</tr>
</tbody>
</table>

• Social Policy

This policy should promote competitiveness and entrepreneurship in a fully integrated internal market, implementation of the social policy agenda through a single programme named “Progress”, regrouping current actions in this area (Eures, social security schemes, free movement of workers etc…).

<table>
<thead>
<tr>
<th>Competitiveness and entrepreneurship, implementation of the social policy agenda</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.711</td>
<td>2.155</td>
<td>2.414</td>
<td>2.655</td>
<td>2.916</td>
<td>3.151</td>
<td>3.439</td>
<td>3.675</td>
<td>20.405</td>
</tr>
<tr>
<td></td>
<td>26%</td>
<td>12%</td>
<td>10%</td>
<td>10%</td>
<td>8%</td>
<td>9%</td>
<td>7%</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>444</td>
<td>259</td>
<td>241</td>
<td>261</td>
<td>235</td>
<td>288</td>
<td>236</td>
<td></td>
<td>115%</td>
</tr>
</tbody>
</table>

Sub-heading 1b: Cohesion for growth and employment

• This sub-heading mainly covers the current Structural Funds but reshaped on more strategic aims. The enlargement of the Union to 25 Member States, and subsequently to 27 or more, presents an unprecedented challenge for the competitiveness and internal cohesion of the Union, the Commission proposes that actions supported by cohesion policy should focus on investment in a limited number of Community priorities, reflecting the Lisbon and Gothenburg agendas. The priority themes would be organised around three objectives: convergence (78% of total resources); regional competitiveness and employment (17%); territorial co-operation (4%). Programmes would be supported by the financial resources of the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the Cohesion Fund. The 4% cap should be applied as well as an adapted version of the Berlin allocation method. EU-25 should be taken as a base for calculating relative welfare. All regions no longer eligible for Objective-1 support under the new regulations (so called phasing-in regions and regions affected by the 'statistical effect') will receive compensation. Compensation for statistical effect regions is more generous than for phasing-in regions.
- **Convergence**: budget increase (40%); slightly increased share in total budget.
- **Regional competitiveness**: budget increase (6%), slightly decreased share in total budget.
- **European territorial cooperation**: budget increase (14%), slightly decreased share in total budget.

**Promoting convergence of less developed member states and regions**

This instrument covers part of the current ERDF and Social Fund and the Cohesion Fund. Eligibility for allocation for objective 1 and Cohesion Fund are foreseen to follow the current rules.

<table>
<thead>
<tr>
<th>Convergence of less developed Member States and regions</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>28.608</td>
<td>34.723</td>
<td>36.039</td>
<td>37.249</td>
<td>37.947</td>
<td>38.657</td>
<td>39.355</td>
<td>40.074</td>
<td>264.044</td>
</tr>
<tr>
<td></td>
<td>21%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
<td>average increase</td>
</tr>
<tr>
<td></td>
<td>6.115</td>
<td>1.316</td>
<td>1.210</td>
<td>698</td>
<td>710</td>
<td>698</td>
<td>719</td>
<td>40%</td>
<td>increase over 2006</td>
</tr>
</tbody>
</table>

**Supporting and strengthening regional competitiveness and employment outside the less prosperous regions**

This instrument covers the current actions eligible partly under the ERDF and partly under the Social Fund (Leader).

<table>
<thead>
<tr>
<th>Regional competitiveness and employment</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40%</td>
<td>-6%</td>
<td>-6%</td>
<td>-7%</td>
<td>-8%</td>
<td>0%</td>
<td>0%</td>
<td>2%</td>
<td>average increase</td>
</tr>
<tr>
<td></td>
<td>2.829</td>
<td>-577</td>
<td>-600</td>
<td>-614</td>
<td>-631</td>
<td>-5</td>
<td>-6</td>
<td>6%</td>
<td>increase over 2006</td>
</tr>
</tbody>
</table>

**Supporting European territorial co-operation**

This instrument should aim at supporting cross-border cooperation.

<table>
<thead>
<tr>
<th>European territorial co-operation</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.975</td>
<td>1.791</td>
<td>1.888</td>
<td>1.989</td>
<td>2.050</td>
<td>2.111</td>
<td>2.177</td>
<td>2.245</td>
<td>14.251</td>
</tr>
<tr>
<td></td>
<td>-9%</td>
<td>5%</td>
<td>5%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
<td>average increase</td>
</tr>
<tr>
<td></td>
<td>-184</td>
<td>97</td>
<td>101</td>
<td>61</td>
<td>61</td>
<td>66</td>
<td>68</td>
<td>14%</td>
<td>increase over 2006</td>
</tr>
</tbody>
</table>

**Heading 2: Conservation and management of natural resources**

This heading includes compulsory and non compulsory expenditure and covers of the current following programmes:

- heading 1: Agriculture: la) market support and 1b) rural development
- heading 2: Structural Actions (IFOP)
- heading 3: Internal Policies : Life programme and other environmental actions
- heading 4: International Fisheries Agreements
Heading 2 takes on board the reforms of the CAP, introduced in 2003 and 2004, in particular the ceiling for market related expenditure and direct payments in agriculture fixed until 2013 at the Brussels European Council of December 2002 as a starting point. The focus for policy reform in the new financial period is proposed to be in rural development. Following the Göteborg conclusions this new policy should put new emphasis on protecting the environment and achieving a more sustainable pattern of development. The new fisheries instruments under this heading would encompass the interventions of the FIFG in all eligible regions, international fisheries agreements and measures for governance and conservation. Finally a new financial instrument for the environment would be funded under this heading, grouping together all environmental budget lines in one instrument.

- Market support: decrease (3%) for EU 25.
- Rural development: budget increase (23%). Constant budget for EU 25
- Fisheries: budget increase (24%). Constant budget for EU-25
- Environment: budget increase (67%). Increased funding for an instrument to deliver actions of a uniquely environmental nature and take account of enlargement

• Promote a more competitive, market oriented and sustainable EU agriculture

The expenditure for Romania and Bulgaria is included (on top of Brussels' ceiling).

<table>
<thead>
<tr>
<th>Sustainable agriculture</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>43.735</td>
<td>43.500</td>
<td>43.673</td>
<td>43.354</td>
<td>42.714</td>
<td>42.506</td>
<td>42.293</td>
<td></td>
<td>301.074</td>
</tr>
<tr>
<td>-1%</td>
<td>-1%</td>
<td>0%</td>
<td>-1%</td>
<td>-1%</td>
<td>0%</td>
<td>-1%</td>
<td>0%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>-235</td>
<td>-235</td>
<td>173</td>
<td>-319</td>
<td>-320</td>
<td>-320</td>
<td>-208</td>
<td>-213</td>
<td></td>
<td>-3%</td>
</tr>
</tbody>
</table>

• Supporting and strengthening rural development

The expenditure for Bulgaria and Romania is included.

<table>
<thead>
<tr>
<th>Rural development</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>10%</td>
<td>4%</td>
<td>4%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>1.031</td>
<td>1.031</td>
<td>0.475</td>
<td>0.450</td>
<td>1.00</td>
<td>1.25</td>
<td>1.25</td>
<td>1.25</td>
<td>23%</td>
<td></td>
</tr>
</tbody>
</table>

• Promote competitive and sustainable fisheries

This expenditure covers the new EFF, control measures etc. as well as the International Fishery Agreements, (currently financed under heading 4 : External Actions).

<table>
<thead>
<tr>
<th>Sustainable fisheries</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>909</td>
<td>1.025</td>
<td>1.050</td>
<td>1.075</td>
<td>1.100</td>
<td>1.100</td>
<td>1.125</td>
<td>1.125</td>
<td></td>
<td>7.600</td>
</tr>
<tr>
<td>13%</td>
<td>13%</td>
<td>2%</td>
<td>2%</td>
<td>0%</td>
<td>2%</td>
<td>0%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>116</td>
<td>116</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>0</td>
<td>25</td>
<td>0</td>
<td>24%</td>
<td></td>
</tr>
</tbody>
</table>

• Maintaining a continuing high level of protection of the environment and promoting the sustainable use and management of resources

This expenditure covers appropriations from the current heading 3 (in particular the programme "LIFE" and the expenditure for the European Environmental Agency).
### Sustainable management and use of resources

<table>
<thead>
<tr>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>254</td>
<td>275</td>
<td>300</td>
<td>325</td>
<td>350</td>
<td>375</td>
<td>400</td>
<td>425</td>
<td>2,450</td>
</tr>
<tr>
<td>8%</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>21</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>67%</td>
</tr>
</tbody>
</table>

### Heading 3: Citizenship, freedom, security and justice

This heading covers a very small part of the future financial framework. The aim of the Commission is to merge under this new heading three types of policies currently financed under heading three: "Internal policies" and covered by a multitude of instruments and budget lines. They concern the Justice and Home affairs activities, the Consumer policy, the Information policy and Culture.

- Justice and Home affairs: increase of 260%
- European Culture and diversity: increase of 110%

#### Protect fundamental rights, promote solidarity in relation to free movement of persons, strengthen prevention of and fight against crime

This policy represents a huge increase in comparison to the existing title 18 - Area of freedom, security and justice (funding doubled after two years). Three instruments are foreseen:

- the Freedom of movement and solidarity in the area of external borders, asylum and immigration program (SIS or VIS, Refugee Fund, Agency for External Borders)
- the Security program (Europol, European Police College)
- the Justice and Fundamental Rights program (Eurojust, Observatory on Racism and Xenophobia)

### Fundamental rights, prevention and fight against crime

<table>
<thead>
<tr>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>479</td>
<td>625</td>
<td>850</td>
<td>1,025</td>
<td>1,200</td>
<td>1,375</td>
<td>1,550</td>
<td>1,725</td>
<td>8,350</td>
</tr>
<tr>
<td>30%</td>
<td>36%</td>
<td>21%</td>
<td>17%</td>
<td>15%</td>
<td>13%</td>
<td>11%</td>
<td>11%</td>
<td>20%</td>
</tr>
<tr>
<td>146</td>
<td>225</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>260%</td>
</tr>
</tbody>
</table>
• Health and consumer protection, culture and citizenship

This part of the new heading aims at ensuring access to basic goods and services via health and consumers’ programmes which match the citizens’ expectations. It also covers the current Culture, Youth and Media programmes, the information policy and the former A-30 programmes (grants).

| Public health and consumer protection |
|---|---|---|---|---|---|---|---|---|
| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
| 901 | 1.004 | 1.165 | 1.304 | 1.445 | 1.595 | 1.745 | 1.895 | 10.153 |
| 11% | 16% | 12% | 11% | 10% | 9% | 9% | 11% |
| 103 | 161 | 139 | 141 | 150 | 150 | 150 | 110% |

Heading 4: External policies: The EU as a global partner

The new architecture proposed for external policies is characterised by a concentration of the existing programmes under four main instruments.

- the EU and its Neighbourhood: increase of 17 %
- the EU as a Sustainable Development Partner: increase of 41 % including the EDF
- the EU as a global player: increase of 185 %
- loans and guarantees: difference 0 %

This heading, whose contents is most comparable to the existing heading 4, increases by 41 % as a whole.

• The EU and its neighbourhood

It covers the pre-accession instruments (IPA), the Neighbourhood and Partnership Instruments (ENPI) which will replace the current Phare, Ispa, Sapard, Turkey pre-accession and CARDS

| The EU and its neighbourhood |
|---|---|---|---|---|---|---|---|---|
| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
| -19% | 9% | 7% | 9% | 7% | 2% | 4% | 3% |
| -770 | 300 | 250 | 350 | 275 | 100 | 200 | 17% |

• The EU as a sustainable development partner

It mainly covers the programmes under the Development and Economic Cooperation areas. The Commission's scenario is based on the budgetisation of EDF

| The EU as a sustainable development partner |
|---|---|---|---|---|---|---|---|---|
| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
| 0% | 7% | 8% | 6% | 7% | 4% | 4% | 5% |
| 1 | 350 | 425 | 325 | 400 | 225 | 275 | 41% |

• The EU as a global player
This part covers interventions like macro-financial assistance, Humanitarian Aid and Instruments responding to crisis, including CFSP.

### The EU as a global player

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan</td>
<td>710</td>
<td>1.575</td>
<td>1.625</td>
<td>1.675</td>
<td>1.700</td>
<td>1.750</td>
<td>1.950</td>
<td>2.025</td>
<td>12,300</td>
</tr>
<tr>
<td>%</td>
<td>122%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td>11%</td>
<td>4%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>%</td>
<td>865</td>
<td>50</td>
<td>50</td>
<td>25</td>
<td>50</td>
<td>200</td>
<td>75</td>
<td>185%</td>
<td>增加了</td>
</tr>
</tbody>
</table>

- **Loan guarantee and emergency aid reserves**

No change with the current situation.

### Loan guarantee and emergency aid reserve

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan</td>
<td>442</td>
<td>442</td>
<td>442</td>
<td>442</td>
<td>442</td>
<td>442</td>
<td>442</td>
<td>3,094</td>
<td>3,094</td>
</tr>
<tr>
<td>%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Heading 5 - Administrative expenditure

This heading does not include the administrative expenditure of the Commission (approximately EUR 3 billion in the 2006 programming) which is spread over the different headings in the new structure.
WORKING DOCUMENT NO 4: INSTITUTIONAL AND LEGISLATIVE ASPECTS

The current situation

The Temporary Committee was given the mandate to define the European Parliament’s negotiating position for the new financial framework both in legislative and budgetary terms. After the European Council has taken a position, the negotiations will start between the European Parliament and the Council. They will lead to one of two results: either there will be an agreement between EP and Council on the new financial perspective or there will be no agreement.

In the case of agreement, it should occur before April 2006 in time to allow the Commission to prepare the Preliminary Draft Budget for the year 2007 on the new basis. In the case of no agreement, two possibilities exist: either the Interinstitutional Agreement (IIA) of 6 May 1999 is denounced by one of the parties (i.e. the Parliament, the Council or the Commission), or the provisions of its article 26 apply. If the Interinstitutional Agreement is denounced, the provisions of the Treaty, and in particular article 272 thereof, would fully apply.

This means that there is no possibility that a non-agreement could lead to the absence of a budget for the Union. The main difference is that, in the case of no agreement and application of articles 26 of the IIA or 272 of the Treaty, the budgets would be decided on an annual basis without multiannual framework. This working document aims to make an analysis of the “fall back” options in case of no agreement.

Your rapporteur believes that there should continue to have a new financial framework after 2006, to guarantee the ordered management of European finances. Naturally the new financial perspective after 2006 should provide the European Union with sufficient resources to allow a normal development of its activities. Therefore the European Parliament should agree on it only if it guarantees sufficient resources and margin for each annual procedure.

The European Parliament should define at the end of the work of the Temporary Committee the balance between legislative priorities and budgetary means. Then it will be ready to enter into serious negotiations with the Council in a spirit of loyal cooperation and will be prepared to compromise if Council is willing to demonstrate the same constructive attitude.

Your rapporteur notes that in case no agreement is reached on the financial perspective, the Interinstitutional Agreement of 6 May 1999 (Art. 26) and Art. 272 of the EU Treaty will constitute the framework to guarantee the annual procedure for 2007 and following years, although with different results in terms of margin, as indicated further down.

What could happen if no agreement on a new financial perspective is reached before the beginning of the budgetary procedure 2007?

The comparison for the year 2007 is made in relation with Parliament's room for manoeuvre between the application of Art. 26 of the IIA (no agreement between the Parliament and the Council) and of Art. 272 of the Treaty (IIA is denounced).

Your rapporteur points out that that in both hypotheses (Art. 26 IIA and Art. 272 of the EU Treaty), the figures indicated in the table can always be increased by mutual agreement of the two arms of the budgetary authority. Under Art. 26 of the IIA, the possibility to mobilise the flexibility instrument will
still be in force. Under art 272 of the EU Treaty the possibility to fix a new maximum rate of increase for non compulsory expenditure, by agreement between EP and Council, is foreseen as well.

Scenario Art. 26 of the Interinstitutional Agreement

The Rapporteur would like to underline the following:

- As foreseen by article 26, the cost of enlargement (adjustment and revision for 2004 -2006) is not included in the calculation of the rate of increase.
- It would be logical to include in the calculation the mobilisation of the flexibility instrument and of the Solidarity Fund, which, once agreed, increase the ceiling.
- Although heading 8 is only foreseen for the period 2004-2006, the strict application of article 26, which refers to the "ceiling of the last year", would make provision for this heading.

The application of Art. 26 of the IIA, will allow an increase of appropriations for most of the headings except for Structural Funds. The margin for the European Parliament in the 2007 budgetary procedure will be limited to Heading 3, where a large part of appropriations could be absorbed by agencies (especially if Council continues the trend of creating agencies) and possibly by the prolongation of multiannual programmes.

Appropriations for heading 4 could possibly be sufficient, but only if no new crises arise before the current crisis is over, and if Council refrains from increasing the CFSP budget.

The increase for administrative expenditure should allow all the Institutions to fulfil their obligations, especially if Council puts an end to the recent trend of constant increases of its budget.

---

1 Art. 26 Duration of the financial perspective and consequences of the absence of a financial perspective
Before 1 July 2005, the Commission will present proposals for a new medium-term financial perspective. Should the two arms of the budgetary authority fail to agree on a new financial perspective, and unless the existing financial perspective is expressly denounced by one of the parties to this Agreement, the ceilings for the last year covered by the existing financial perspective will be adjusted in accordance with paragraph 15 by applying to these amounts the average rate of increase observed over the preceding period, excluding any adjustments made to take account of enlargement of the Union. This rate of increase may not, however, exceed the rate of growth of Community GNP for the year concerned.
### Scenario Art. 272 of EC Treaty

The provisions of the current Treaty do not foresee any “headings” but only make a distinction between two types of expenditure: compulsory expenditure, on which Council has the last word (CE) and non-compulsory expenditure (NCE), on which the Parliament has the last say within the limits of the maximum rate of increase (MRI).

The MRI is based on macro economic parameters communicated each year by the Commission to the budgetary authority.

In order to evaluate the European Parliament's interest in this option, it is necessary to calculate the non-compulsory expenditure, based on a number of assumptions:

- all NCE in 2006 is budgeted;
- the estimated MRI for 2007 is 3.9 %

---

1 **Article 272**

9. A maximum rate of increase in relation to the expenditure of the same type to be incurred during the current year shall be fixed annually for the total expenditure other than that necessarily resulting from this Treaty or from acts adopted in accordance therewith. The Commission shall, after consulting the Economic Policy Committee, declare what this maximum rate is as it results from:

— the trend, in terms of volume, of the gross national product within the Community;
— the average variation in the budgets of the Member States; and
— the trend of the cost of living during the preceding financial year.

The maximum rate shall be communicated, before 1 May, to all the institutions of the Community.

The latter shall be required to conform to this during the budgetary procedure, subject to the provisions of the fourth and fifth subparagraphs of this paragraph. If, in respect of expenditure other than that necessarily resulting from this Treaty or from acts adopted in accordance therewith, the actual rate of increase in the draft budget established by the Council is over half the maximum rate, the European Parliament may, exercising its right of amendment, further increase the total amount of that expenditure to a limit not exceeding half the maximum rate.

Where the European Parliament, the Council or the Commission consider that the activities of the Communities require that the rate determined according to the procedure laid down in this paragraph should be exceeded, another rate may be fixed by agreement between the Council, acting by a qualified majority, and the European Parliament, acting by a majority of its members and three fifths of the votes cast.
The calculation of compulsory expenditure and in particular agriculture and pensions, includes the figures of article 32 of the Accession Treaty for enlargement.

The only variable that cannot be assumed is the level of Council's Draft Budget. The procedure under Art. 272 of the Treaty may drive the two arms of the budgetary authority towards a “tactical” first reading in order to reach an agreement on a new MRI in 2nd reading.

Based on the above assumptions, EP could increase the non-compulsory expenditure in the Budget 2007 without the agreement of the Council by the following amounts:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of NCE in the 2006 budget (estimation)</td>
<td>72,170</td>
</tr>
<tr>
<td>Maximum Rate of increase 2007 (estimation)</td>
<td>3.9%</td>
</tr>
<tr>
<td>half of the MRI</td>
<td>1.95%</td>
</tr>
<tr>
<td>Council half margin</td>
<td>1,407</td>
</tr>
<tr>
<td>Maximum theoretical expenditure possible for the Council's DB</td>
<td>73,577</td>
</tr>
</tbody>
</table>

**If Council does not use its half margin, Parliament can use the following amounts in addition to Council DB**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum NCE appropriations allowed for EP in 2007</td>
<td>1,407</td>
</tr>
<tr>
<td>Maximum NCE appropriations allowed for EP in 2007</td>
<td>2,815</td>
</tr>
</tbody>
</table>

**TOTAL CE in 2006 (estimation)**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>46,062</td>
</tr>
</tbody>
</table>

For the reasons explained above (breakdown by headings under the financial perspective and distinction between compulsory and non-compulsory expenditure under the Treaty), a comparison in global terms is not really possible. However, the room for manoeuvre for the European Parliament under the Treaty provisions is much bigger under Art. 272 of EU Treaty.

For the period 2000-2005, the difference between annual budgets adopted under the procedure set up by Art. 272 of EU Treaty and under the financial perspective would have been more than EUR 10 billion at EP's advantage. Nevertheless, it should be kept in mind that such a figure remains "virtual" since it is calculated on the Council's 1st readings which have been adopted in a context of FP.

**Consequences for the legislation**

The application of either scenario would have consequences for EU legislation:

- Multiannual programmes terminating in 2006 (i.e. the majority of them) would have to be prolonged at least for the first year.

- Multiannual programming foreseen by the Commission would still be possible, but only with indicative amounts fixed by the legislative authority (since the reference amounts are linked to the financial perspective and the Interinstitutional Agreement) and confirmed in the annual budgetary procedures.

- Concerning the Structural Funds, the Commission should present a proposal for their prolongation (unanimity in Council, consent of EP). The rapporteur is aware that the nature of the functioning of the Structural Funds - which are based on development contracts between the Commission and the Member States - implies that the financing is ensured throughout the whole period of programming and therefore the current legislation should be prolonged for a defined period.
The rapporteur points out that a situation of conflict within Council and between the Institutions could lead to the risk that no legislation would be prolonged beyond 2006.

Final considerations

Recalling that the aim of the European Parliament should remain to have a new financial perspective, your rapporteur would like to set out the following considerations before drawing conclusions:

- a financial perspective allows an orderly development of Community policies through multiannual programming.
- an Interinstitutional Agreement guarantees budgetary discipline and avoids conflictual negotiations on annual budgets.
- in case of no agreement on the next financial perspective, the current IIA provisions apply for the year 2007, unless the IIA is expressly denounced by any of the Institutions party to it.
- in this event, the Treaty fully applies, still allowing for the adoption of annual budgets.
- in the case of no agreement in time for the budgetary procedure 2007 negotiations will continue during the annual procedure 2007.
- the procedure under art 26 of the IIA will not only give the EP very limited room for manoeuvre (margin zero), it could also give Council the impression that the EP is ready to accept a low-profile financial framework for the period 2007.
- the real challenge for 2007 will be how to organise the prolongation of expiring legislative programmes, including the Structural Funds, in order to prevent a legal void which would risk interrupting implementation.

The rapporteur considers it premature to take any conclusive position at this stage but nevertheless considers that:

- a denunciation of the Interinstitutional Agreement as foreseen by Art. 26, and the beginning of the procedure 2007 on the basis of art 272 of the Treaty will offer a better basis for the negotiations with Council (minimum EUR 1,4 billion to a maximum 2,8 billion);

- even in the case of a budgetary procedure based on Art. 272 of the EU Treaty, the EP could establish unilaterally a financial framework in order not to prejudge its position in the negotiations on the financial perspective.

- Article 26 of the IIA is not realistic. Article 272 of the EU Treaty is more favourable for EP, at least as a negotiating position.
WORKING DOCUMENT NO 5: INSTITUTIONAL ASPECTS LINKED TO THE CONSTITUTION

Contents of the new financial provisions of the Constitution

The Constitutional Treaty introduces significant modifications to the provisions concerning the finances of the Union (the so-called "Financial Constitution"). These provisions are now foreseen in Part I, under title VII ("The Union's Finances"), in articles 53 to 56, which are developed in Part III, in Chapter II ("Financial Provisions") of Title VI ("The Functioning of the Union"), in articles 402 to 405.

In substance, these provisions deal with the finances of the Union on a three level approach:

- the Union's resources
- the financial perspectives
- the annual budget

At the level of the financial resources, the main innovation consists in the fact that the present decision on own resources becomes in fact a law, adopted by the Council by unanimity (on a proposal from the Commission), with simple consultation of the Parliament. As it happens at present with the decision, this law shall enter into force only after being approved by Member States according to their respective constitutional requirements.

This law "shall lay down the provisions relating to the system of own resources of the Union", and "may establish new categories of own resources or abolish an existing category".

Also new is the fact that, insofar as provided for in the law defining the system of own resources, a law of the Council, adopted by qualified majority after the consent of the European Parliament, shall lay down implementing measures for the Union's own resources system. This may potentially enhance the role of Parliament in what concerns own resources, but the restriction (introduced at a later stage by the IGC) resulting from the reference to the "delegation" provided for in the law of the own resources strongly limits this assertion.

Regarding the annual budget, it must be noted that the procedure for its adoption has been substantially modified. For the needs of this document, it suffices to stress that the distinction between compulsory expenditure and non-compulsory expenditure has been dropped and consequently the budgetary powers of Parliament now fully apply to all expenditure, and that the EP has a decisive say in whole of the budget: no budget can be adopted without its agreement, thus reinforcing the "sui generis" codecision character of the budgetary procedure.

The procedure is now based on one reading in each institution, after which, if no agreement has been found, a conciliation committee will be convened. In the event of failure to reach agreement in this conciliation committee, or if both institutions reject the joint text, the Commission shall submit a new draft budget (the provisional twelfths system applies if necessary); the same happens if the EP alone rejects the joint text by the majority of its Members. If the Council alone rejects the joint text, Parliament can confirm its first-reading amendments, by the majority of its Members and three fifth of the votes cast. However, if the required majority is not reached, the joint text will be confirmed for the budget line in question.

At the level of the Financial Perspective the changes are significant.
1. To begin with, the Constitution introduces the concept of Multiannual Financial Framework (MFF), which corresponds to the concept of Financial Perspective, as a legal category foreseen in and regulated by the Constitution. Until now the concept had no recognition in the treaties and was brought to life through an Interinstitutional Agreement. Under the Constitution, it will be adopted through a law of the Council, adopted by unanimity, which must receive the consent of Parliament (by the majority of its component members). A "bridging clause" is foreseen, allowing the European Council to decide, by unanimity, that the MFF shall in the future be adopted by qualified majority (article I-55, paragraph 2).

In article III-402, paragraph 5 the Constitution specifies that "Throughout the procedure leading to the adoption of the financial framework, the European Parliament, the Council and the Commission shall take any measure necessary to facilitate the successful completion of the procedure". This somehow ensures that the role of Parliament in the procedure of adoption of the law containing the MFF is not a purely passive one of only saying yes or no to the position of the Council in the end of the procedure.

2. Article I-55 states that the MFF shall "ensure that the Union expenditure develops in an orderly manner and within the limits of its own resources". This means the written recognition of the principle that the financial perspective (in fact the MFF) must abide by the limits foreseen in the Own Resources Law (which are established by a law adopted and brought into force through a procedure of higher solemnity).

3. Regarding the content of the MFF, the Constitution foresees that it "shall determine the amounts of the annual ceilings of appropriations by category of expenditure" (Art I-55, 1). This is reaffirmed in article III-402, 1, which adds that the MFF shall also determine "the annual ceiling on payment appropriations". Still according to this paragraph, the categories of expenditure shall be "limited in number" and "shall correspond to the Union's major sectors of activity".

4. Paragraph 3 of article III-402 stipulates that the MFF "shall lay down any other provisions required for the annual budgetary procedure to run smoothly". This means that the law containing the MFF shall incorporate not only the present financial perspective, but also the provisions that are at present contained in the Part II of the IIA on budgetary discipline and any other rules that the institutions consider relevant for that purpose. This does not preclude, however, the possibility to have a new IIA to complement the provisions contained in the MFF.

5. In what concerns the duration of the MFF, the Constitution foresees that it "shall be established for a period of at least five years". The Convention debated in depth the possibility of making the MFF match with the mandate of both the EP and the Commission, but concluded that this is in practice impossible to ensure. The solution finally accepted allows for some flexibility. If the 5 years period is confirmed, this could mean for instance that each Parliament could adopt the MFF for a period starting at the year of the European election+1 and finished the year following the next election. This way every Parliament would be responsible for the adoption of a MFF which will run through the major part of its mandate. This would allow for the MFF to be the financial translation of a "policy framework for the legislature" as some voices defended during the Convention. It should be reminded that the former Parliament (Wynn resolution) called for a duration of 5 years.

6. Article I-55, paragraph 3 states that "the annual budget of the Union shall comply with the multiannual financial framework". In order to ensure that the Union has a budget adopted even
if the MFF comes to an end., article III-402, paragraph 4 of the Constitution foresees that "Where no European law of the Council determining the new financial framework has been adopted by the end of the previous financial framework, the ceilings and other provisions corresponding to the last year of the framework shall be extended until such time as that law is adopted".

The first year is to be considered an exceptional and transitional year and if the MFF is not in force, the budget will be agreed by the two arms of the budgetary authority with the new procedure based on the old FP and not the previous budget. In this respect a new IIA could be envisaged to define the procedure for the first year.

7. The specific questions that we should address in this document are:

a) What happens at the entering into force of the Constitutional Treaty?

The Commission will have to submit a proposal based on article III-402, which should ideally be adopted by the budgetary authority before the beginning of the next annual procedure. Even if an agreement in the new FP is reached before the entering into force of the Constitution, an IIA is an act of a different legal nature than a law. Therefore, the Commission should present a proposal for a law establishing the MFF even if its content only reflects the agreement reached on the FP.

b) Can the eventual IIA containing the FP existing at that moment be considered as equivalent to the MFF with the purpose of allowing the annual budget to be adopted? What happens if no agreement is reached before?

It can be excluded that the last FP would be considered as the previous MFF for the purposes of article III-402, 4.1

Bearing in mind that these questions have not yet been fully discussed in legal terms and can be rather controversial, it seems reasonable to analyse the problem considering two different possibilities:

A) An agreement on the new financial perspective is reached before the Constitution enters into force:

As the Constitutional Treaty foresees (article IV-438. 3) "that the other component of the *acquis* of the Community and of the Union existing at the time of the entry into force of this treaty, in particular the interinstitutional agreements, decisions and agreements...shall also be preserved until they have been deleted or amended", it seems reasonable to consider that the IIA containing the new FP could provisionally constitute a sufficient framework to allow for the

---

1 At a certain stage of the IGC there was a tentative to introduce a clause in article III-402 by which the last FP would be considered has the previous MFF for the purposes of article III-402, 4. But this did not succeed, and in the end the only thing that came out of the IGC was the Declaration 26, on Article III-402(4) adopted by the IGC, which states that:

"Article III-402(4) of the Constitution provides that where no European law of the Council establishing a new financial framework has been adopted by the end of the previous financial framework, the ceilings and other provisions corresponding to the last year of that framework shall be extended until such time as that law is adopted. The Conference states that if no European law of the Council establishing a new financial framework has been adopted by the end of 2006 and where the Treaty of Accession of 16 April 2003 provides for a phasing-in period for the allocation of appropriations to the new Member States ending in 2006, the allocation of funds as from 2007 will be established on the basis of the same criteria being applied for all Member States."

Anyway, one should bear in mind that a Declaration adopted by the IGC can only bind the Member States that subscribe to it (in political terms, for declarations are not legally binding), but cannot constitute a legal precept that would impose any restrictions to the use by Parliament of the powers conferred to him by the Constitutional Treaty.
annual budget to be adopted until a law with the MFF be adopted according to the provisions of the Constitution;

As soon as the Constitution enters into force, the Commission should initiate the procedures and make proposals for the new European law, which could even limit itself to formally adopt the content of the recently agreed FP as law.

\[B\] If an agreement on the new financial perspective has not been reached (and if the current IIA has been denounced) prior to the entry into force of the Constitution, the procedure foreseen in article 1-55 and III-402 of the Constitution in view of the adoption of the European law establishing the MFF applies within the limits of the own resources. The budget would be adopted on an annual basis (eventually through a transitional Interinstitutional Agreement).

**Conclusions**

According to this reasoning, if the new financial perspective is adopted before the Constitution enters into force, there should be no significant transitional problems. If necessary, the Institutions could easily "transform" the new FP in the first MFF by adopting it formally as the law establishing the MFF. It is, however, worthwhile mentioning that once the system of the interinstitutional agreements is replaced by the one of a law establishing the MFF, the Institutions will no longer be able to denounce the FP they have agreed on, and the ceilings and other provisions of last year of the previous MFF will in any event be extended until a new MFF is adopted.

If no agreement is reached before the Constitution enters into force, the Commission will nevertheless have to present the proposal for the European law establishing the MFF;

Concerning the annual budget, the procedure foreseen by art III-404 should apply in the event of no MFF, eventually with an ad-hoc Interinstitutional Agreement to define the procedure in the transitional period. The rapporteur reminds that in the case of impossibility to reach an agreement, article III-405 foresees the mechanism of provisional twelfths.

The rapporteur wishes to stress that, in any event, the results of the current negotiations will have a strong influence on the first European law establishing the MFF:

- either they will become the new MFF,
- or they will serve as a basis for negotiating the new MFF.

The future institutional relations will be affected by the result of the current negotiations on the next financial perspective.

A low profile agreement on the financial perspective beyond 2006 will certainly influence the first European law.

If the next financial perspectives are not favourable to the European Parliament, they will remain as such under the regime of the Constitution.
WORKING DOCUMENT NO 6: TRANS-EUROPEAN NETWORKS

Background

Trans-European Networks are one of the five objectives set out by the Commission aiming at transforming the EU into a dynamic knowledge-based economy geared to growth. For the Financial Perspective 2007-2013 the Commission proposes to allocate to TENs approximately 20% of the resources available under Heading 1a.

Trans-European Networks (TENs) in 2000 - 2006 FP cover transport (TEN-T), energy (TEN-E), and telecommunications (eTEN). TEN emerged in the 1980s in conjunction with the proposed Single Market. It made little sense to talk of a Single Market, with freedom of movement for goods, persons and services, unless the various regions and national networks making up that market were properly linked.

The Treaty establishing the European Union\(^1\) provides a legal basis for the TENs. Under the terms of Chapter XV of the Treaty (Articles 154, 155 and 156), "the European Union must aim to promote the development of TENs as a key element for the creation of the Internal Market and the reinforcement of Economic and Social Cohesion".

The guidelines covering the objectives, priorities, projects of common interest and broad lines of implementing measures for the three sectors concerned are approved under codecision procedure by the European Parliament and the Council.

A number of projects of common interest have benefited from financial support of the EC budget through the TENs programmes (former budget line B5-7) as well as through the Structural Funds, Cohesion Fund (50% environment; 50% infrastructure), and the European Investment Bank (EIB) loans.

Thus, it has to be pointed out that these additional instruments only benefit certain countries or peripheral regions and not the infrastructure of central regions where congestion is concentrated. Contrary to general opinion most of the major projects on the Trans-European networks are located in the countries which are not eligible for the two structural instruments.

1. ANALYSIS OF FINANCIAL FRAMEWORKS

In order to have a clear picture of the overall situation your rapporteur would like to draw attention to the fact that the presentation of FP 2007 -2013 has changed according to the new nomenclature. It is also important to recall that the programmes which are now included under the TENs heading were not necessarily included in the 2000 -2006 FP; they entered the framework with certain delay or have been subsequently modified for 2004-2006 taking into account the recent enlargement.\(^2\) Therefore the exact comparison is difficult to make.

1.1. 2000-2006 TENs Financial Framework

The TENs programme 2000 - 2006 introduces following new features:

\(^1\) Maastricht Treaty
\(^2\) deflator of 2% had been applied
• A multiannual indicative programme to give greater prominence to the EU funding of projects.
• The introduction of risk capital for the financial aid given by the Union.
• A higher ceiling for Community aid which may now, from 2003, be up to 20% of the total cost of the project in the case of Galileo satellite positioning and navigation systems.
• €4.6 billion for the TENs (including TEN-T, TEN-E and eTEN); the amount foreseen to be spent over seven years in 2000-2006 FP on Trans-European Transport Networks was €4.17 billion. The remaining 430 m foreseen for TEN-E and eTEN.
• At least 55% of funds for TEN-T were foreseen for the railway projects and not more than 25% for roads.
• The Commission had the possibility to cancel its financing decisions if the project has not got under way within 2 years. In 2000-2006 FP seven of such decisions have been taken, of which five related to studies.

• Evaluation of annual budgets (TEN-T, TEN-E, eTEN) 2000-2006 in million Euro

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEN-T</td>
<td>584,0</td>
<td>575,0</td>
<td>581,4</td>
<td>625,0</td>
<td>671,0</td>
<td>661,4</td>
<td>708,8</td>
<td>4,406</td>
</tr>
<tr>
<td>TEN-E</td>
<td>25,0</td>
<td>21,0</td>
<td>21,0</td>
<td>22,0</td>
<td>21,5</td>
<td>21,5</td>
<td>21,5</td>
<td>153</td>
</tr>
<tr>
<td>eTEN</td>
<td>45,0</td>
<td>35,0</td>
<td>36,5</td>
<td>38,5</td>
<td>43,1*</td>
<td>46,6*</td>
<td>47,4*</td>
<td>292</td>
</tr>
<tr>
<td>TOTAL</td>
<td>654</td>
<td>631</td>
<td>638,9</td>
<td>685,5</td>
<td>735,6</td>
<td>729,5</td>
<td>777,7</td>
<td>4,851</td>
</tr>
</tbody>
</table>

* since 2004 under heading 09

Other Programmes under the new policy area heading 06 (former B5-7) (in million Euro)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marco Polo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>34,9</td>
<td>98,8</td>
</tr>
<tr>
<td>Galileo</td>
<td>14,9</td>
<td>20</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
<td>154</td>
</tr>
<tr>
<td></td>
<td>240</td>
<td>80</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td>680</td>
</tr>
<tr>
<td>Decommissioning</td>
<td>139</td>
<td></td>
<td></td>
<td></td>
<td>142</td>
<td></td>
<td>281</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>330,9</td>
</tr>
</tbody>
</table>

TOTAL 2006 1108,6

1 The new TEN Regulation n°807/2004 introduces the possibility to finance cross-border and cross-natural sections of priority projects at a maximum rate of 20%.
2 During the years 2000-2003, support to rail projects amounted to more than 60% and support to road accounted for less than 11%.
3 Indicative budget 2005 and 2006
• TENs Implementation and RAL millions of euros

<table>
<thead>
<tr>
<th>Year</th>
<th>Implementation in % for engagements</th>
<th>RAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>100%</td>
<td>935</td>
</tr>
<tr>
<td>2001</td>
<td>98%</td>
<td>1.115</td>
</tr>
<tr>
<td>2002</td>
<td>98%</td>
<td>1.162</td>
</tr>
<tr>
<td>2003</td>
<td>100%</td>
<td>1.115</td>
</tr>
<tr>
<td>2004</td>
<td>94%</td>
<td>1.594</td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above table shows a high level of implementation and relatively normal RAL of two years. Only RAL for 2004 is a bit higher 2.5 X budget

1.2. Appraisal

As pointed out in the White Paper on European transport policy\(^1\), six years after adoption of the decision on the Community guidelines for the Trans-European transport network, only 20% of the projects scheduled by 2010 have been completed. The furthest behind schedule are the cross-border and railway projects. Added to these delays, now there is an extra challenge of enlargement with often obsolete infrastructure networks and lack of cross-border connections in 10 new Member States. Integration of their networks to the existing network is a priority.

The Court of Auditors in its 2003 rapport identified some shortcomings in the system of financing TENs projects. The Court questioned specifically the definition of eligible and ineligible costs pointing out that using different funding rates carries the risk that beneficiaries may maximise funding by wrongly allocating costs to studies. Therefore the Court suggested that the definition of eligible costs should also include a clear determination of which funds are eligible for studies and for works. The ratio study/works for the period 2001-2003 is 56% of TEN-T support devoted to studies and 44% to works. From 2003 the ratio study/work for the priority projects is 52% for studies and 48% for works. Changing the ratio in favour of works or even giving Member States the sole responsibility for finance studies for their projects could bring significant improvements to the management of TENs resources. Such an action would also improve the efficiency of the available resources. However in the coming years, the ratio relating to works is expected to increase in parallel with the maturity of these projects, a closer look at the spending on studies and their usefulness should be taken. In any case it seems logical firstly, that studies should relate to the 30 priority projects; and secondly, that better anticipation and forecast is needed in order to streamline the work on already ongoing projects.

1.3. Added value

Although the progress is slow due to the high costs and complexity of the work the added value of the TENs project especially at its cross border sections is not questionable:

- 75 200 kilometres of roads
- 78 000 kilometres of railways
- 330 airports
- 270 international seaports
- 210 inland ports
- traffic management systems, user information and navigation services

\(^1\) COM (2001) 370
From the environmental point of view, the Trans European railway network is one of the few solutions available to stabilise the CO2 emissions from the transport sector, which is responsible for 1/3 of the total EU CO2 emission. 80% of the TEN major projects relate to non-road mode. They are said to reduce CO2 emissions by 4%, particularly in sensitive mountain regions. They aim to reduce road congestion by 14% and make timesaving in interregional transport allowing significant economic benefits. Projects are expected to contribute to stabilising the modal split and may even turn it in favour of more environmentally friendly transport modes on the major international axes. Overall, through their contribution to trade through the Member States and improving accessibility, there is a forecast of an increase in growth of 0.2-0.3% GDP corresponding to the creation or retention of 1 million permanent jobs.

Galileo positioning and systems GPS and their commercial application is also said to bring significant revenues as well as other benefits of strategic importance. Several economic sectors will be able to benefit from Galileo application like AGRI, FISH, ENVI, RELEX, and DEV. As regards Marco Polo programmes the Commission estimates that every €1 in grants, Marco Polo will generate €6 in social and environmental benefits.

1.4. New instruments for FF 2007-2013

The adoption of the new Regulation for the granting of Community financial aid in the field of Trans-European networks allows aid to be concentrated on projects which have the greatest need (priority cross-frontier projects, or those crossing natural obstacles), with increasing the maximum rate of support for priority projects up to 20%-30% and up to 50% in exceptional cases. It also allows financing infrastructure in TEN-E programme, which was not the case in previous framework 2000-2006, where funds allocated for TEN-E supported only studies.

The following table describes the rates of aid by category of (transport) project

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>Etudes</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Priority Projects</td>
<td>50%</td>
<td>up to 30%</td>
</tr>
<tr>
<td>Of which crossborder sections</td>
<td>50%</td>
<td>up to 50%</td>
</tr>
<tr>
<td>2a. Other projects which include interoperability – security – safety</td>
<td>50%</td>
<td>up to 50%</td>
</tr>
<tr>
<td>2b. Other projects of common interest</td>
<td>50%</td>
<td>up to 15%</td>
</tr>
</tbody>
</table>

1.5. 2007 -2013 TENs FP 22.7 billion max indicative ceiling

Indicative Commission proposal for the distribution of funds for 5 priorities 2007-2013 under heading 1A

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Development</td>
<td>60%</td>
</tr>
<tr>
<td>TENs</td>
<td>20%</td>
</tr>
<tr>
<td>Education and training</td>
<td>10%</td>
</tr>
<tr>
<td>Competitiveness/Social policy</td>
<td>10%</td>
</tr>
</tbody>
</table>

For the next FP the Commission proposed over 22 billion Euro to finance the TENs, the Galileo and Marco Polo I and II programmes. The Commission also proposed a major overhaul of the budget for the

---

3 The increased support rate also applies to priority projects in the energy sector
TENs and of the rules for the granting of financial aid in the context of the next financial perspective 2007-2013. In contrast to the telecommunications sector, where the emphasis is above all on applications, the Trans-European transport and energy networks still require the building of important base infrastructure - therefore the new TENs Regulation 2007-2013 focuses solely on transport and energy.

Table indicates the total ceiling for all 5 programs

<table>
<thead>
<tr>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.175</td>
<td>1.675</td>
<td>2.200</td>
<td>2.725</td>
<td>3.250</td>
<td>3.775</td>
<td>4.275</td>
<td>4.800</td>
<td><strong>22.700</strong> total envelope</td>
</tr>
<tr>
<td>43%</td>
<td>31%</td>
<td>24%</td>
<td>19%</td>
<td>16%</td>
<td>13%</td>
<td>12%</td>
<td>12%</td>
<td><strong>23%</strong> average increase</td>
</tr>
<tr>
<td>500</td>
<td>525</td>
<td>525</td>
<td>525</td>
<td>525</td>
<td>500</td>
<td>525</td>
<td>309% increase over 2006</td>
<td></td>
</tr>
</tbody>
</table>

- In the transport sector, the regulation provides for a budget of €20.35 billion, and focuses on a limited number of projects and authorises aid of up to 50% of the costs of cross-border projects as an incentive in exceptional cases. This budget, which represents an increase over the previous period, will make it possible to co-finance the work on 30 TEN priority projects¹ and programmes to deploy the European air traffic and rail management systems.
- In the energy sector, the regulation provides for a budget of €340 million to co-finance feasibility studies for gas pipelines and electricity interconnections, needed to complete the internal market and ensure security of supply.
- For Marco Polo programme, which is designed to shift goods from the roads to other transport modes and Marco Polo II which includes new actions such as motorways of the sea and traffic avoidance measures, the regulation provides a budget of €740 million for 2007-2013. This budget has been extended to countries bordering the EU.
- To support the start-up of the European Galileo satellite radio navigation system by contributing €1 billion to the deployment and operational phases.
- Decommissioning of Ignalina and Bohunice 1,120 m Euro

¹ costing a total of €225 billion as decided by Parliament and the Council on 29 April 2004
2. Future Implementation

Without performing transport and energy networks, competitive economies do not exist. The building and efficient working of Trans-European networks in the sectors of transport and energy represent an essential condition for the success of the internal market, guaranteeing sustainable mobility and the security of energy supply in the enlarged Union.

The financial requirements of the 30 priority projects identified in annex III of the guidelines for Trans-European transport networks by the Council and the Parliament\(^1\) alone account for 225 billion € the largest part of which falls in the period 2007-2013- about 140 billion €. This means that in order to achieve the goals set for 2007-2013 the critical mass of Community funding necessary to cover just 20% of proposed co-financing over 7 years is 28 billion Euro/ 4 billion per year which is against 2.9 foreseen by the TENs Regulation.

**Importance of TEN-E Energy Networks**

Inadequate electricity interconnections will limit operational security of supply on networks, undermining efforts to prevent and manage electricity blackouts. The co-ordinated operation of energy networks in the Community and neighbouring countries can contribute substantially to security of supply. The next years will be a challenging time for Europe, as external dependence grows and global energy markets remain turbulent. The Community’s external gas dependence is projected to grow from 50% now to over 80% in 2030. The challenges involved were examined in the Green Paper on security of energy supply\(^2\). The amount necessary to complete the Trans-European energy network (TEN-E) is estimated at about €28 billion for the priority projects alone. Although the transport network is largely financed by public funds, the Trans-European energy network can normally call on financing from the operators in the sector.

---

\(^1\) Decision EC 884/2004 of 30/04/2004

\(^2\) Green Paper “Towards a European strategy for the security of energy supply” COM(2000)769
2.1. Alternative financial instruments

The national budgets of the Member States are often faced with budgetary constraints for financing their infrastructure linked, amongst other things, to respect of the stability and growth pact. It is also difficult to justify infrastructure works in terms of priority against pending social expenditure.

In order to improve sources of financing, Member States are increasingly called upon to finance infrastructure through introduction of the alternative measures. So far the following were given consideration: pricing of heavy goods vehicles (the ‘Eurovignette’ directive)\(^1\); urban entry charge, congestion charge, electronic Tolls system. The other alternative could be to change the current ratio between study /work in favour of work. Member States could also take the full responsibility for the costs of studies concerning their national priority projects, and share the costs in case of cross border common projects. This could result in a considerable shift of funding in favour of work.

Due to the size of projects and their financial envelopes there is no real substitute for the national or Community funding. The often-embraced hope, to see the growth of the participation of private investors remains for the moment, with a few rare exceptions, in vain. The rate of maximum co-financing authorised by the TEN regulation sets the rules for granting financial aid to the Trans-European network\(^2\) at 10% rate and a maximum 20% from 2003. Community aid cannot therefore play a real role as a catalyst for Public Private Partnerships (PPP). In response to that problem the Commission is considering introduction of measures aiming at encouraging private investment by introducing income insurance scheme. Getting private investment for the TENs infrastructure is still however a big challenge.

2.2. Conclusions

- TENs within the new heading (1A Competitiveness) represent a clear added value by contributing to the development and strengthening of the European economy.
- TENs is the priority of the European Parliament and one of the major objectives of the Lisbon Agenda.
- The period 2007-2013 is crucial to complete several ongoing projects and to integrate networks of all 10 new Member States into the existing ones.

On the basis of the broad elements presented above and awaiting for the opinion of the relevant committees, the rapporteur expects to draw the following orientations from the debate:

- whether the Commission approach for TENs is acceptable?
- that globally, the amount proposed by the Commission reaches the critical mass for the TENs-T, Marco Polo, TENs-Energy?
- whether all these programmes have the same level of legislative priority?
- whether a concentration of funds on one or two programmes (TENs-T and Marco Polo) could be envisaged?
- concerning the financial instruments proposed to stimulate investments in the TENs sector, whether the EIB intervention should be encouraged to put additional funding on top of financing from the EU budget?

---

\(^1\) COM (2003)448 final of 23.7.2003
\(^2\) Regulation 1655/99
• whether the levels of co-financing of TEN-T projects from the EU budget are adequate to ensure better implementation?

• whether the proportion between the feasibility studies and operational projects should be modified in order to increase the European efficiency and added value of Community funding?
WORKING DOCUMENT NO 7: EDUCATION AND TRAINING

1. INTRODUCTION

Human capital is one of the major determinates of growth in the European Union and the overall modernisation of the education and training systems is one of the centrepieces of the Lisbon strategy. The so-called Kok report on the implementation of the Lisbon strategy \(^1\) also underlines the importance of lifelong learning which is a necessity to keep the more and more ageing population of Europe active on the labour market. Lifelong learning will allow reaching the envisaged employment target and will provide people with skills that match the requirements of the knowledge society.

However, during the past years public investment in education and training as a proportion of public spending decreased in the majority of the Member States. Therefore, efforts at a national level must be increased. But also support from the European Union is necessary, since the benefits are spread Europe-wide and Member States individually do not have the appropriate means.

The basis for actions at European level in the area of education and training is Articles 149 and 150 of the Treaty of the European Union. These Articles clearly define the limits of possible activities at European level. Member State retains full responsibility for the organisation and content of its education system and the Community's role is to contribute to the development of quality education by encouraging co-operation between Member States and by supporting and supplementing their action. In order to develop a European dimension in education, the EU provides, in particular, exchange schemes supporting individual mobility (such as students, teachers, academics or trainers) and promotion of partnerships/networks of academic and professional expertise in different countries. It also offers a framework to address cross-border issues such as new technologies in education and the international recognition of qualifications. The main objective of European activities is mobility of students, teachers and not least of ideas and best practices.

2. ANALYSIS OF THE NEW PROPOSAL (2007-2013)

All existing programmes will expire at the end of 2006 (with the exception of ERASMUS MUNDUS, which continues until 2008).

On July 14 2004, the Commission adopted a proposal establishing an action programme in the field of lifelong learning\(^2\). This integrated programme for education and training will comprise the majority of the relevant existing programmes (in particular COMENIUS, ERASMUS, LEONARDO DA VINCI and GRUNTVIG).

The Commission proposes a considerable increase for appropriations in the area of education and training (323% compared to 2006 - see following table). The total expenditure proposed for education and training represents approximately 10 % of heading 1a: Competitiveness for growth and employment.

The annual average expenditure per year for education and training would increase from some 550 million Euro (last years of current Financial Perspective) to 1,850 million Eurasia (2007-2013).

\(^1\) Facing the Challenge - The Lisbon strategy for growth and employment, Report from the High Level Group chaired by Wim Kok, November 2004

Education and training (2007-2013)\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>650</td>
<td>950</td>
<td>1.250</td>
<td>1.550</td>
<td>1.850</td>
<td>2.150</td>
<td>2.450</td>
<td>2.750</td>
<td>12,950</td>
</tr>
<tr>
<td></td>
<td>46%</td>
<td>32%</td>
<td>24%</td>
<td>19%</td>
<td>16%</td>
<td>14%</td>
<td>12%</td>
<td>16%</td>
<td>23% increase</td>
</tr>
<tr>
<td></td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>323% increase over 2006</td>
</tr>
</tbody>
</table>

In order to analyse the proposed programme the same three criteria as used by the European Commission should be applied, namely **Effectiveness**, **Efficiency** and **Synergy**.

**Effectiveness: Can the results only be achieved through action at EU-level?**

European education and training programmes are crucial to stimulate action that otherwise would not take place, or would be less effective. For example, without Erasmus, mobility of students would be less widespread and would focus on a small number of Member States. A less fluid European education and training programme offer, with stronger national barriers, leads to lower quality human resources and reduced competitiveness.

The EU offers a unique opportunity to combine and to learn from different traditions in the national education systems. This potential can only be developed through mobility and mobility can only be effectively handled at EU level. It cannot be delivered unless there is an EU-wide network capable of turning the strong demand for student mobility into reality.

**Efficiency: Does EU action offer better value for money?**

European activities in the area of education and training represent a very direct and positive link between the European Union and its citizens. No other programme has been able to reach so many people so directly. Since the beginning of the Erasmus programmes in 1987 more than 1 million students participated in an international exchange programme. More than 10,000 schools per year are involved in the Comenius programme.

**Synergy: Is EU action necessary to complement, stimulate and leverage action?**

All EU spending in education and training is incentive funding, only parts of the costs of an exchange programme are covered by the European programmes. The ERASMUS grants are intended to cover the additional cost which arise from studying abroad. Therefore, these programmes have an impressive leverage effect: the relatively small investment from the European budget has a major impact as it mobilises additional funding.

---


The SOCRATES programme's effectiveness still leaves something to be desired when it comes to the administration of the programme. As for the administrative aspect, the Court of Auditors criticised that "cumbersome and complex administrative and financial procedures led to delays at every stage of management". The complex administrative structure covers both Commission services and National Agencies, which have a key role in the implementation of the programme. These National Agencies differ from country to country and sometimes there are differences within the same Member States. The main consequence of this accumulation of delays was excessively long delays in paying aid. The Court of Auditors recommends that the contractual relationship between the Commission and the National Authorities should be clearly defined, setting out precisely the obligations and responsibilities for securing efficient joint-management.

As for the centralised parts of the programme's administration, the Commission intends to delegate these tasks to an executive Agency (which will replace the technical assistance offices). This approach is based on the idea that the Commission should be re-centred on its core activities and priority functions, with the technical implementation of the programme being carried out by a specialised entity. One executive agency should carry out the management of all programmes in the field of education and culture, in order to ensure consistency and economies of scale and saving on staff (officials). The European Parliament, as part of the budgetary authority, has been considerably involved in ensuring a political and budgetary control over this new type of agency.

A major problem seems to be the cumbersome administrative procedure, in particular, in the case of small volume grants. The burden seems particularly onerous under the COMENIUS programme, where grants to school projects are 2,000 EURO to the co-ordinating school and 1,500 EURO to its partner schools. In response to Parliament's request for a simplification, the Commission has already undertaken to simplify administrative procedures, in particular, in relation to smaller grants. This will certainly encourage more schools to participate in this important programme.

In particular, in the first phase of the SOCRATES programme, the dissemination of results was regarded as one of its main weaknesses. Considerable improvements regarding the visibility of the SOCRATES programme and the dissemination of results are however necessary. In the meantime, the Commission's information policy was restructured to make it more effective. In its interim evaluation the results achieved in the Socrates programme the Commission indicates major improvements. Some important media events, such as the celebration of one million Erasmus students, but also the programme's project databases are useful instruments to raise public awareness. The Commission and National Agencies make greater use of various tools for the publication of results: the Internet, publication of articles, presentation of programmes at various relevant events (trade fairs, exhibitions, conferences).

In March 2004, the most recent Commission report on the implementation of the Leonardo da Vinci Programme has resulted in a generally positive assessment for the first four years of the programme second phase (2000-2006). It identifies a number of improvements in relation to the first phase and identifies some shortcomings, which impact negatively on the performance of the programme. In particular some time-consuming administrative procedures and the absence of efficient tools for collecting information on an on-going basis are criticised. However, the overall assessment in terms of

---

1 Court of Auditors, Special Report No 2/2002 on the Socrates and Youth for Europe Community action programme, OJ C136, 7 July 2002  
3 COM(2004)152, 8.3.2004
relevance, efficiency and effectiveness is positive, especially with regards to language learning and contribution to better intercultural comprehension.

This above analysis shows that these programmes are highly effective and that their implementation is satisfactory. However, all programmes should be clearly targeted towards the Lisbon goals.

4. ALTERNATIVES FOR THE FINANCIAL INSTRUMENT

Due to the limitation of Community activities induced by the principle of subsidiarity, no other policy instrument, besides an expenditure programme, can be considered in the areas of education and training. The only alternative therefore is no programme at all with considerable negative consequences, in particular, in economic and in social terms. Another alternative could be a model based on co-financing by the Member States. However, in the area of education and training this seems not to be suitable to way to reach better results.

As for the design of the programme, a further option would be to keep the existing separate programmes, with some amendment to introduce the recent developments in lifelong learning policy. The advantage would be to keep the well-established "brand names" as in the past. Names such as ERASMUS or LEONARDO DA VINCI are well known and are generally associated with success. However, the Commission decided to merge the programmes to take account of the interdependence of education and training and the importance of lifelong learning. Keeping the programmes separate would have a clearly negative impact, in particular in economic terms. According to the Commission’s extended impact assessment of the integrated programme\(^1\) a continued separation would lead to greater difficulty to achieve the recognition of qualifications. Besides, it would result in lack of legibility and coherence and therefore lesser attraction of the general public.

5. CONCLUSIONS

- The effectiveness and added value of European programmes in the field of education and training are obvious as they provide an instrument for spreading innovation and good practice that would otherwise remain within national borders.

- The above analysis shows that mobility activities and promotion of partnerships/networks between schools and universities in different countries cannot be organised or funded efficiently at national level. These programmes are highly effective and the European added value is significant.

- Beneficiaries are largely satisfied with the results and the mobility programmes are exceptionally well known all over Europe, in particular the ERASMUS programme. Mobility contributes in terms of awareness of cultural diversity and greater understanding and tolerance of divergences. There is a considerable benefit in terms of employability and in terms of professional skills.

- The rapporteur considers that education and training could be one of the priorities for the financial perspectives 2007-2013. The Commission approach to integrate all activities in one single programme will certainly result in a simpler programme. However, possible consequence of this integrated approach in terms of political and budgetary control by the European Parliament and transparency needs to be further discussed.

On the basis of the broad elements presented above and awaiting the opinion of the relevant committees, the rapporteur expects to draw the following orientations from the debate:

\(^1\) SEC(2004)971, 14.7.2004
• whether the Commission approach to integrate all existing activities in one single programme for LIFELONG LEARNING is appropriate?

• whether all parts of the proposed integrated programme LIFELONG LEARNING should be continued and whether the global funding for this policy area needs to be rebalanced?

• whether the financial framework proposed for the education and training area is acceptable (approx. 10 % of heading 1a: Competitiveness for growth and employment)?
WORKING DOCUMENT NO 8: THE SOCIAL POLICY AGENDA

1. BACKGROUND

The Lisbon European Council set a strategic goal for the Union to build a competitive and dynamic knowledge-based economy capable of sustaining economic growth with more and better jobs and greater social cohesion. It is primarily dealing with structural reforms and instruments at national level and regulatory work at EU level. The main responsibility for these reforms falls within the competence of the Member States. However, some of its aspects, in particular in the area of social and employment policy, need to be underpinned by the EU budget.

At Community level the Social Policy Agenda (SPA) is the Union's roadmap in the employment and social sphere. Together with a series of Community programmes, the SPA is one of the central tools contributing to the competitiveness and employment objective of the Lisbon Strategy. The Commission Communication "Building our common Future - Policy challenges and budgetary means of the enlarged Union 2007-2013"¹, calls for a further strengthening of the Social Policy Agenda, in order to manage change in the context of enlargement, globalisation and demographic ageing.

The modest financial means dedicated to the implementation of the Social Policy Agenda during recent years have enabled the Union to contribute to the Lisbon objectives. However, the expected outcome, in particular in terms of employment and social protection/inclusion, has not been reached. This opinion is also confirmed by Kok report on the implementation of the Lisbon strategy ² of November 2004 which underlines the need for a strong social and employment policy, in the perspective of meeting the Lisbon strategy objectives. But it also emphasises that progress to date in this area has been inadequate due to a lack of commitment and political will of the governments of the Member States. The Kok report, therefore, proposes that Member States and Commission should work together much more closely to achieve the Lisbon goals in the employment policy area. Moreover, the report particularly underlines the importance of an increase of participation of women in the labour market.

Special attention needs to be given to the challenges of the recent enlargement round. Particular concerns and requirements of the 10 new Member States, also regarding the programmes' implementation, need to be taken into consideration. Assistance in the labour market reform and in particular, for the promotion of gender equality in the field of the labour market, will be crucial. This was also emphasised by Parliament's own-initiative report on Equal Opportunities for Women and Men in the European Union³. Adequate European Programmes are necessary to combat the disparities between men and women on the labour market, which are even greater in some of the new Member States than in EU 15. These activities would otherwise probably not be carried out not only because of the lack of financial resources, but also because they are not perceived important enough in countries facing considerable economic and political problems. A similar line was taken by the European Parliament during the adoption of the second phase of the DAPHNE programme⁴ in order to ensure that new Member States can - also in practice - fully participate in the programme. Possible beneficiaries in the new Member States do not have sufficient experience and knowledge of the programme's content and procedures. Therefore, the EP insisted on providing technical assistance, in particular for NGOs from the new countries, which have not fully participated in the programme before.

¹ COM (2004) 101 final
² Facing the Challenge - The Lisbon strategy for growth and employment, Report from the High Level Group chaired by Wim Kok, November 2004
³ A5-0481/2003, Committee on Women's rights and Equal Opportunities, Rapporteur Joke Swiebel, 17.03.2003
⁴ A5-0083/2004, Rapporteur: Mrs. Groener
2. ANALYSIS OF THE NEW PROPOSAL (2007 - 2013)

All existing programmes will expire at the end of 2006 (with the exception of the DAPHNE Programme, which continues until 2008). Community spending in the area of structural policy and, in particular, the European Social Fund (ESF) will be analysed in a further working document (category 1b: Cohesion for Growth and Employment).

On July 14 2004, the Commission adopted a proposal establishing a Community Programme for Employment and Social Solidarity (PROGRESS). This programme incorporates various specific Community Action Programmes supporting the implementation of the social policy agenda and a number of budget lines in relation to working conditions. Moreover, the existing budget lines concerning working conditions require an explicit legal base following the entry into force of the Nice Treaty.

Main aim of the Commission's approach is to simplify and rationalise the current situation concerning Community expenditure for employment and social policy. In particular, the end user will benefit from the increased visibility, clarity and coherence of the instruments. The new PROGRESS programme will offer a "one stop shop" for users with common rules for applicants to all parts of the programme. This will certainly simplify the decision making process and the implementation of the Programme. The Commission will be assisted by a single Programme Committee, instead of four as in the current situation. The proposed approach will result in a reduction in the number of budget lines in the employment and social field from 28 to 2 (not including agencies).

This integrated programme covers the period from 2007 to 2013 and the Commission proposes a financial framework of 594 Million Euro (operational expenditure) for seven years. The relevant subcategory of the Financial Perspective\textsuperscript{2} includes a wide range of actions in the area of competitiveness. It covers not only social policy expenditure, but also a framework programme for innovation and competitiveness as well as relevant administrative expenditure and a margin for the entire budget heading 1a. The total expenditure for the Social Policy Agenda during the seven years amounts to 1,345 million Euro (in 2004 prices), which represent only 6.6 % of this subcategory (or 1 % of heading 1a: "Competitiveness for growth and employment")

The Commission proposes an overall increase of 115 % (compared to 2006) to a total of 20,405 million EURO for this subcategory\textsuperscript{3}.

| Competitiveness, entrepreneurship, social policy, (administration included) |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1.711           | 2.155           | 2.414           | 2.655           | 2.916           | 3.151           | 3.439           | 3.675           | 20.405 total    | 20.405 total    | 20.405 total    |
| 26%             | 26%             | 12%             | 10%             | 10%             | 8%              | 9%              | 7%              | 12% average     | 12% average     | 12% average     |
| 444             | 259             | 241             | 261             | 235             | 288             | 236             | 115% increase to 2006 | 115% increase to 2006 |

However, it should be indicated that within this subcategory not all areas would be increased by 115 %. In particular, expenditure in the social and employment policy would develop in a very different direction. A comparison of the current spending in the social and employment area with the relevant

\textsuperscript{1} COM(2004)488 final, 14.7.2004
\textsuperscript{2} "Promoting competitiveness and entrepreneurship in a fully integrated internal market; Implementation of the social policy actions; administration"
actions proposed from 2007 onwards shows that there would be no real increase. In other words, the Commission proposes a roughly constant budget in the social and employment area. Given the average increase of 115%, other budget lines within the same subcategory (e.g. competitiveness, entrepreneurship) will be increased considerably.

3. IMPLEMENTATION OVER THE LAST PERIOD

Some of the programmes were established only a few years ago and an official evaluation by the European Commission is still pending. Recently the Commission published calls for tenders for the evaluation of the Incentive Measures in the Field of Employment and for the Programme to Combat Social Exclusion.

As for the Programme to Combat Discrimination (2001-2006) an evaluation of the first two years was carried out this year. The evaluation report\(^1\) concludes that although the programme is still in its launch phase a satisfactory overall effectiveness could be achieved. A certain amount of positive progress has been achieved not only in terms of raising awareness of discrimination-related issues but also of mobilising NGOs. The awareness of certain key players (judges, legal practitioners, players involved at national level in the fight against discrimination, general public) could be raised successfully by a series of seminars and conferences. In particular, the funding of transitional actions involving unions and equal opportunity bodies has increased awareness and fostered the exchange of good practice.

On the other hand, the evaluation report criticises, in particular, a lack of visibility regarding the access to the programme and its funding. Moreover, very little has been published about the results and achievements of the actions funded by the programme. The report recommends strengthening the strategy for raising the programme's profile and to formalise a genuine strategy for disseminating the results. To this end, annual events focusing on promotion issues and the introduction of the notion of dissemination as a contractual obligation and integral part of a project could be considered. Moreover, the link between action carried out at Community level and those carried out at national level should be strengthened. But also the Member States are criticised in the evaluation report for not "playing their full part as stakeholders in the Community policy on combating discrimination". Only 10 Member States have requested European funding in order to initiate national awareness-raising action and only very few Member States refer to the Community Action Programme on the website of their ministries (e.g. Finland).

On the other hand, the report also shows a positive leverage effect in certain Member States and mentions some interesting examples. The Community programme directly influenced the launch of a large-scale information action in Sweden and contributed to better co-operation and networking of players active in the area of anti-discrimination in several other Member States.

The implementation of the Framework Strategy on Gender Equality was evaluated in June 2004. The Interim Report\(^2\) assesses the programme positively in terms of meeting its goals such as awareness raising, analysis and capacity building. It underlines that important progress has been made in defining the concept of gender equality and in structuring its intervention in respect of Community competencies. The broad definition of the Programme's main objectives allows for funding of a large diversity of projects with different duration, types of users and final objectives.

On the other hand, the Interim report considers the programme's visibility and communication strategy as its main weakness. To achieve even better implementation results, the information management

---

\(^1\) European Commission, Evaluation of the Community Action Programme to combat discrimination (2001-2006), Executive Summary of the 2003 evaluation report, April 2004

\(^2\) European Commission, Evaluation of the Community Action Programme relating to the Community Framework Strategy on Gender Equality, Executive Summary of the interim report, June 2004
within the Programme should be improved. The information on the various actions of the Framework is not collected in a systematic way, which results in a poor continuity and institutional memory. It is also important to ensure coherence and synergy between different levels and actions the Programme.

4. ALTERNATIVES FOR THE FINANCIAL INSTRUMENT
To reach the Lisbon objectives, the Social Policy Agenda relies on a combination of instruments, notably legislation, the open method of co-ordination (OMC), European social dialogue, the European Social Fund and a number of other financial tools, in particular the new PROGRESS programme.

This type of expenditure will remain necessary in the future, notably to ensure the coherent implementation of the existing "acquis" and to improve the knowledge of the situation prevailing the Member States, in particular, the 10 new countries. Community funding in the employment and social area should continue to act as a catalyst by facilitating the definition and implementation of reform measures by Member States in their labour market and social policies.

5. CONCLUSION
The rapporteur shares the Commission's opinion that the financial means dedicated to the implementation of the Social Policy Agenda during recent years have enabled the Union to contribute to the Lisbon objectives. Therefore, an adequate level of Community expenditure in this area remains crucial as the objectives of the Lisbon Strategy, in particular in terms of employment and social protection/inclusion, have not been reached.

- The above analysis shows that the implementation of the existing programmes in the area of social policy and anti-discrimination has an overall positive result. In order to ensure coherence and synergy between a wide range of different actions and programmes the integrated character of the new PROGRESS programme must be appreciated.

- The rapporteur welcomes efforts to simplify and rationalise the current situation concerning Community expenditure for employment and social policy. However, in this context, the rapporteur emphasises that the possible consequences of this integrated approach in terms of political and budgetary control by the European Parliament and transparency need to be discussed further.

- The rapporteur underlines the importance and the necessity of the continuation of a coherent European programme including adequate funding in this area, which complements action at national level. Despite an overall increase of 115% in the relevant subcategory as proposed by the Commission, the expenditure in the social and employment area would remain roughly at its current level (1% of category 1a: Competitiveness for growth and employment).

On the basis of the broad elements presented above and awaiting the opinion of the relevant committees, the rapporteur expects to draw the following orientations from the debate:

- whether the Committee shares the overall positive result in relation to the implementation of the existing programmes and whether the Commission approach to integrate a set of existing activities in one single programme for PROGRESS is appropriate?

- whether all parts of the proposed integrated programme PROGRESS should be continued and whether the global funding for this policy area needs to be rebalanced?

- whether the financial framework for the social and employment area as proposed by the Commission is acceptable (approx. 1% of heading 1a: Competitiveness for growth and employment)?
1. Analysis of the current legislation on agriculture

Existing legislation in 2004

Article 33 of the EC Treaty sets out the objectives of the CAP. In order to attain these objectives, Community regulations provide for the creation of Common Market Organisations (CMOs). The CMOs consist of the rules to regulate production of and trade in agricultural products in all the Member States of the European Union.

The agricultural policy was fundamentally reformed in 2003 by Regulation (EC) No 1782/2003.

The reform, which for Mediterranean crops and sugar is still in progress, is specifically reflected in the adoption of a package of seven regulations\(^1\).

In addition to a series of provisions governing various common market organisations (CMOs), in particular in cereals, rice, dried fodder, milk and milk products, the reform (Council Regulation (EC) No 1782/2003) consists of three main provisions:

- the introduction of the decoupling of direct payments and a single farm payment (SFP);
- compulsory eco-conditionality;
- compulsory modulation in order to boost rural development.

The reform also:

- obeys a strict financial framework, in line with the decisions of the Brussels European Council of October 2002;
- allows Member States a structured flexibility when it comes to putting the SFP system into practice.

In the new Member States direct payments will be phased in, starting with 25% in 2004 and increasing each year until they reach 100% in 2013.

The June 2003 agreement is a relatively complex compromise, the result of several differences of opinion among the Member States, which led them to water down or get round the Commission's innovative proposals, in particular by increasing the number of options. The strategic turning point it represents for the CAP has not gone without remark; there have been positive reactions to this development from some, while others are more cautious as to its implications.

Regulation 1257/99 continues to form the basis of rural development policy. The rural development measures under the Regulation fall into two groups:


• Accompanying measures of the 1992 reform: early retirement, agri-environmental measures, afforestation and the less-favoured areas scheme;
• Measures to modernise and diversify agricultural holdings: farm investment, setting-up of young farmers, training, investment aid for processing and marketing facilities, additional assistance for forestry, promotion and conversion of agriculture.

Until now, rural development policy has been financed through various instruments (EAGGF Guarantee Section, EAGGF Guidance Section and the Leader+ project).

The Commission's intentions for agricultural policy under the new financial perspective

The Commission's proposal provides for the following:

• the inclusion of agricultural expenditure in the new budget chapter 'sustainable management and protection of natural resources', along with spending on the common fisheries policy and environment policy;
• coherence with the principles of the June 2003 reform, particularly with regard to rural development;
• the adoption of a new financial instrument for this expenditure in the form of a single fund covering all the measures currently financed by the EAGGF Guarantee Section, structural policy in regions lagging behind in development and the Leader+ programme, with the policy centring on well-defined objectives;
• compliance with the annual ceilings agreed by the European Council of October 2002 and the taking into account of Romanian and Bulgarian accession, with extra resources in place to finance their entry into the EU;

and will entail:

• a 3.3% fall in the total volume of direct payments and market support measures (in spite of the enlargement of the EU from 15 to 27 Member States and without taking into consideration the effects of modulation or the margin for unforeseen circumstances);
• an increase (before modulation) in rural development funds as a result of enlargement (by 25% between 2006 and 2013);
• and finally, under the guise of an overall increase of 2.24% in agricultural spending owing to enlargement, a reduction in the share of funding from 45% of total commitments under the Community budget in 2006 to 35% in 2013.

<table>
<thead>
<tr>
<th>CA</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Evolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable management and protection of natural resources</td>
<td>56015</td>
<td>57180</td>
<td>57900</td>
<td>58115</td>
<td>57980</td>
<td>57850</td>
<td>57825</td>
<td>57805</td>
<td>3.20%</td>
</tr>
<tr>
<td>CAP</td>
<td>54279</td>
<td>55259</td>
<td>55908</td>
<td>56054</td>
<td>55859</td>
<td>55666</td>
<td>55853</td>
<td>55497</td>
<td>2.24%</td>
</tr>
<tr>
<td>of which market support measures and direct aid payments</td>
<td>43735</td>
<td>43500</td>
<td>43673</td>
<td>43354</td>
<td>43034</td>
<td>42714</td>
<td>42506</td>
<td>42293</td>
<td>-3.30%</td>
</tr>
<tr>
<td>of which rural development</td>
<td>10544</td>
<td>11759</td>
<td>12235</td>
<td>12700</td>
<td>12825</td>
<td>12952</td>
<td>13077</td>
<td>13205</td>
<td>25.24%</td>
</tr>
</tbody>
</table>

For the agriculture sector of the EU 15, subject to modulation and to other possible levies (additional payments, national reserve etc.), the budgetary pressure on direct aid payments will no doubt be restrictive, raising fears of the financial discipline mechanism being promptly brought into play (from 2007), which efforts to find a better allocation of expenditure - the Commissioner for Agriculture wishes it to be more focused and therefore more effective - can only partially relieve.

Agricultural spending and its percentage weighting as part of the Commission's overall proposal are listed in the table at the end of this document.

New proposals for up to 2007:

The current proposals are as follows:

- Proposal for a Council Regulation on the financing of the common agricultural policy (COM(2004)0489 final; 2004/0164 (CNS)): two funds are proposed as instruments for the financing of the common agricultural policy, one for market support measures and direct payments and one for rural development.


- There will also be proposals relating to the following sectors: sugar (2006) and fruit and vegetables (2006).

Added value of the CAP:

The challenges for agriculture in Europe are growing. The CAP tackles the classic problems of agriculture, in particular comparatively high instability of many agricultural commodities markets and market failure. At the same time, it guarantees the implementation of the model of multifunctionality.

In particular, the CAP allows for:

- a single market – i.e. no trade barriers and free movement of goods within the whole of the EU;
- direct payments to farmers to give a guaranteed minimum level of income, but with no link to the quantity of production, so as to remove any trade distortions;
- measures to ensure that agricultural markets are stable;

---

1 commitment appropriations
• support for rural development through cross-compliance, modulation and a specific programme which shall include targets such as improving product quality and marketing quality products, more environmentally friendly farming and finding alternative forms of income (e.g. from tourism).

Subsidiarity

The CAP has indeed achieved outstanding results in its forty years of existence. Today it is based on the model of multifunctionality of agriculture. Renationalisation of the CAP is not an option because it would jeopardise the efficacy of the agricultural policy. If there were not one common policy but 25 - and soon 27 - competing policies in the EU, the Member States would simply try to out-subsidise each other and the single market would be at an end. On the other hand, Member States must have sufficient flexibility to implement the CAP according to their specific circumstances. This need has been met through the 2003 reform, which allows more flexibility but links flexibility to compliance with legal obligations and financial ceilings.

The EU policy on rural development is an indispensable and complementary element of the traditional CAP. It can tackle and alleviate problems linked to structural change in rural areas.

Specific issues with regard to heading 2

As far as agriculture is concerned, the new structure proposed by the Commission will create greater coherence and transparency. Rural development expenditure will be covered by heading 2 and funded through a newly established 'European Agricultural Fund for Rural Development (EAFRD)', which brings together previously separate sources (the EAGGF Guarantee Section in heading 1 of the existing FP and the Guidance Section in heading 2). If there is a need to reduce the Structural Funds monies in heading 1, there may be proposals either to reduce funding for rural development (= structural) measures in heading 2 or to widen the field of application of the proposed regulation by increasing the type and number of beneficiaries.

Specific aspects and problems in relation to CAP funding

The 2003 CAP reform was based on the conclusions of the European Council of October 2002, which stated that 'total annual expenditure for market related expenditure and direct payments in a Union of 25 cannot – in the period 2007-2013 – exceed the amount in real terms of the ceiling of category 1A for the year 2006 agreed in Berlin for the EU-15 and the proposed corresponding expenditure ceiling for the new Member States for the year 2006. The overall expenditure in nominal terms for market-related expenditure and direct payments for each year in the period 2007-2013 shall be kept below this 2006 figure increased by 1% per year.' In its proposal for the new FP, the Commission confirms these amounts (at 2004 prices and with a deflator of 2%), increased for Bulgaria and Romania by EUR 7969m over this period. This increase has been questioned and it may be that proposals will be tabled to reduce CAP monies accordingly.

In paragraph 14 of its resolution of 22 April 2004 (A5 - 0268/2004), Parliament emphasised that it 'is not bound by the decision taken by the European Council of October 2002 on agricultural spending until 2013 and sees no reason to accept a 7-year period for the new financial perspective as a result of this decision'.

However, Parliament cannot ignore the fact that the agreement on direct payments has already been introduced legally through the agriculture reform and that farmers and the processing industry have been preparing to adapt to the funding agreed by the European Council since 2002, and especially since the CAP reform of 2003. Farmers have made investment decisions and, to some extent, planned their lives
on this basis. It is hard to imagine that Parliament might betray the longstanding trust of the parties concerned by backing out of the agreed financial framework. All the more so since, during the legislative procedure on the agricultural reform, Parliament did not question the underlying funding but voted in favour of it.

Incidentally, the estimated level of direct payments is extremely low. Funding will be frozen as it stands in 2006. At that point, direct payments to the 10 new Member States will account for only 30% of normal payments. As these payments will rise continuously until they reach 100% in 2014, there will inevitably be cuts for all to offset this.

**Possible margin and flexibility under the new heading**

Market-related expenditure and direct payments would account for three-quarters of heading 2 over the 2007-2013 period. Rural development would account for 23%, fisheries for 1.3% and the rest for environment activities. According to the legislative proposal, the Commission believes that these figures should be defined in the new heading 2A as a ceiling rather than a sub-heading. Should actual expenditure prove to be lower than the ceiling, unused appropriations could be devoted to other activities under heading 2 without revising the financial framework.

2. **Implementation**

The implementation of the budget for agriculture depends on various factors like production and intervention, exports and the evolution of prices on the world market. Expenditure is directly linked to existing legislation defining the rights of farmers to direct payments etc.

As regards rural development measures, the European Policy Evaluation Consortium (EPEC) has produced a synthesis report on 30 evaluation reports entitled 'Impact assessment of rural development programmes in view of post-2006 rural development policy' (to be published before 2005). The report will probably emphasise that most evaluations were positive about the overall efficiency of rural development measures, suggesting that in most cases payments are set at appropriate levels to achieve the required outcomes.

The figures concerning the budgetary implementation of rural development measures are set out at the end of this document.

3. **Possible alternatives to the Commission's proposal**

A political alternative to the Commission's proposal would be to introduce a new co-financing mechanism in the EU policy on agriculture - a fundamental shift in the CAP, even if there is already an in-built mechanism for some modest co-financing in the 2003 CAP reform through the modulation procedure. Co-financing could be envisaged by means of a phasing-in process. (A table at the end of the document shows the effects on the budget of co-financing of 25% and 50% respectively; a more detailed analysis may be carried out if needed for further discussions). On the other hand, the existing system has guaranteed balanced markets with predictable prices and incomes for farmers. It has prevented market distortions and unfair competition through state aid. It is questionable whether the FP procedure provides the right opportunity to decide on such a fundamental question for the EU.

4. **Conclusions:**
It should be reiterated that the European Parliament is not bound by the decision taken by the European Council of October 2002 on agricultural spending until 2013. The amounts fixed by the European Council will be acceptable only within an overall agreement that satisfies Parliament's political and financial priorities; this includes the question of whether agricultural funding for Bulgaria and Romania should be added to the amounts decided. At the same time, it must be stressed that the fundamental agricultural policy reform of 2003, including the reform of nearly all common market organisations, was based on the validity of the financial framework laid down in this decision. Furthermore, it should be recalled that the European Parliament agreed to the Treaty and Act concerning the conditions of the accession of the 10 new Member States, which, where the financial aspects of agriculture are concerned, is based on the European Council's agreement (Annex XV of the Act even makes reference to this agreement).

Farmers and industry, particularly in the new Member States, have made decisions and investments in the agricultural sector on the basis of the validity of the financial framework agreed by the European Council; any arbitrary revision of the European Council's decision could seriously jeopardise the reliability and calculability of the EU decision-making process.

Implementing the CAP reform will be very difficult under the tight financial framework proposed by the Commission; the budgetary discipline mechanism will probably have to be applied as early as 2007 in order to prevent additional expenditure of EUR 500m in 2007 and probably up to EUR 950m in 2013.

It must be stressed that, under the Commission's proposal, the percentage of expenditure for agriculture would be reduced from 45% (in 2006) to 35% (in 2013) of the EU budget and that expenditure for market measures/direct payments would be reduced by 3.3% in the period 2007-2013.

Nevertheless, the implementation of WTO principles on phasing out export refunds may have consequences for the ceiling of market measures/direct payments, leading to possible savings that could allow this ceiling to be lowered. In particular, the use of savings could be envisaged to increase funding for rural development measures, in order to support the restructuring of agriculture and to improve the environment and the quality of life in rural areas.

The restructuring of the CAP needs to be accompanied by a substantial increase in rural development funds to deal with the issues of employment and competitiveness in rural areas, in particular in the new Member States.

Figures concerning agriculture (market measures/direct payments) should be defined in the new Interinstitutional Agreement as a ceiling rather than a sub-heading. Should actual expenditure prove to be lower than the ceiling, unused appropriations could be devoted to other activities under heading 2 without revising the financial framework.
The agricultural policy in the Commission’s proposal for the FP 2007-2013 (EU-27)

(In million EURO at prices of 2004, with a deflator of 2%)

<table>
<thead>
<tr>
<th>Commitment authorisations</th>
<th>2006 (in %)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sustainable growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.a. Competitiveness for growth and employment</td>
<td>47,582 (39.4%)</td>
<td>59,675</td>
<td>62,795</td>
<td>65,800</td>
<td>68,235</td>
<td>70,660</td>
<td>73,715</td>
<td>76,785 (48.5%)</td>
</tr>
<tr>
<td>1.b. Coherence for growth and employment</td>
<td>8,791 (7.3%)</td>
<td>12,105</td>
<td>14,390</td>
<td>16,680</td>
<td>18,965</td>
<td>21,250</td>
<td>23,540</td>
<td>25,825 (18.3%)</td>
</tr>
<tr>
<td>2. Sustainable management and protection of the natural resources</td>
<td>38,791 (32.1%)</td>
<td>47,570</td>
<td>48,405</td>
<td>49,120</td>
<td>49,270</td>
<td>49,410</td>
<td>50,175</td>
<td>50,960 (32.2%)</td>
</tr>
<tr>
<td>2. a. Environment and fishery, admin., other actions</td>
<td>56,015 (46.4%)</td>
<td>57,180</td>
<td>57,900</td>
<td>58,115</td>
<td>57,980</td>
<td>58,250</td>
<td>57,825</td>
<td>57,805 (40.4%)</td>
</tr>
<tr>
<td>2. b. Agriculture (market-related expenditure and direct aid) for the EU-27, of which:</td>
<td>1,736</td>
<td>1,921</td>
<td>1,992</td>
<td>2,061</td>
<td>1,761</td>
<td>2,184</td>
<td>2,242</td>
<td>2,307</td>
</tr>
<tr>
<td>- I. Bulgaria and Romania</td>
<td>43,035 (32.6%)</td>
<td>43,500</td>
<td>43,673</td>
<td>43,354</td>
<td>43,304</td>
<td>42,714</td>
<td>42,506</td>
<td>42,293 (22.7%)</td>
</tr>
<tr>
<td>- II. EU-25</td>
<td>2,388</td>
<td>2,812</td>
<td>3,011</td>
<td>3,481</td>
<td>3,959</td>
<td>4,417</td>
<td>4,760</td>
<td>5,171</td>
</tr>
<tr>
<td>- III. Reduction in EU-15 through modulation</td>
<td>43,375 (33.7%)</td>
<td>43,120</td>
<td>42,697</td>
<td>42,279</td>
<td>41,864</td>
<td>41,453</td>
<td>41,047</td>
<td>40,645</td>
</tr>
<tr>
<td>Total effectively available for the EU-15 (II - III)</td>
<td>10,544 (8.8%)</td>
<td>11,759</td>
<td>12,235</td>
<td>12,700</td>
<td>12,825</td>
<td>12,952</td>
<td>13,077</td>
<td>13,205 (8.3%)</td>
</tr>
<tr>
<td>2. c. Agriculture (rural development),</td>
<td>-</td>
<td>863</td>
<td>1,222</td>
<td>1,591</td>
<td>1,617</td>
<td>1,645</td>
<td>1,674</td>
<td>1,705</td>
</tr>
<tr>
<td>- I. Bulgaria and Romania</td>
<td>10,544</td>
<td>10,896</td>
<td>11,013</td>
<td>11,109</td>
<td>11,208</td>
<td>11,307</td>
<td>11,403</td>
<td>11,500</td>
</tr>
<tr>
<td>- II. EU-25</td>
<td>2,806</td>
<td>3,663</td>
<td>3,780</td>
<td>3,899</td>
<td>4,022</td>
<td>4,145</td>
<td>4,264</td>
<td>4,385</td>
</tr>
<tr>
<td>Total available for the EU-15 (II + III)</td>
<td>54,279 (45.0%)</td>
<td>55,259</td>
<td>55,908</td>
<td>56,054</td>
<td>56,129</td>
<td>55,666</td>
<td>55,583</td>
<td>55,498 (35.0%)</td>
</tr>
<tr>
<td>- Total agriculture (2.b + 2.c)</td>
<td>1,381 (1.1%)</td>
<td>1,630</td>
<td>2,015</td>
<td>2,330</td>
<td>2,645</td>
<td>2,970</td>
<td>3,295</td>
<td>3,620 (2.5%)</td>
</tr>
<tr>
<td>3. Citizenship, freedom, security and justice</td>
<td>11,232 (9.3%)</td>
<td>11,400</td>
<td>12,175</td>
<td>12,945</td>
<td>13,720</td>
<td>14,495</td>
<td>15,115</td>
<td>15,740 (9.9%)</td>
</tr>
<tr>
<td>4. The EU as a global partner</td>
<td>3,436 (2.8%)</td>
<td>3,675</td>
<td>3,815</td>
<td>3,950</td>
<td>4,090</td>
<td>4,225</td>
<td>4,365</td>
<td>4,500 (2.8%)</td>
</tr>
<tr>
<td>Compensation</td>
<td>1,041</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Appropriations for commitments (total)</td>
<td>120,688 (100%)</td>
<td>133,560</td>
<td>138,700</td>
<td>143,140</td>
<td>146,670</td>
<td>150,200</td>
<td>154,315</td>
<td>158,450 (100%)</td>
</tr>
<tr>
<td>Appropriations for commitments in % of GNI</td>
<td>1.14%</td>
<td>1.23%</td>
<td>1.25%</td>
<td>1.25%</td>
<td>1.26%</td>
<td>1.26%</td>
<td>1.27%</td>
<td>1.27%</td>
</tr>
<tr>
<td>Appropriations for payments</td>
<td>114,740</td>
<td>124,600</td>
<td>136,500</td>
<td>127,700</td>
<td>126,000</td>
<td>132,400</td>
<td>138,400</td>
<td>143,100</td>
</tr>
<tr>
<td>Appropriations for payments in % of GNI</td>
<td>1.09%</td>
<td>1.15%</td>
<td>1.23%</td>
<td>1.22%</td>
<td>1.08%</td>
<td>1.11%</td>
<td>1.14%</td>
<td>1.15%</td>
</tr>
<tr>
<td>Remaining margin</td>
<td>0.15%</td>
<td>0.09%</td>
<td>0.01%</td>
<td>0.12%</td>
<td>0.16%</td>
<td>0.13%</td>
<td>0.10%</td>
<td>0.09%</td>
</tr>
<tr>
<td>own resources limit in % of GNI</td>
<td>5.24%</td>
<td>5.24%</td>
<td>5.24%</td>
<td>5.24%</td>
<td>5.24%</td>
<td>5.24%</td>
<td>5.24%</td>
<td>5.24%</td>
</tr>
</tbody>
</table>

The following table gives a rough overview of the effects of the Member States co-financing the CAP (market measures/direct payments) by 25% and 50% respectively compared with the Commission's proposal.

It does not differentiate between market measures, direct payments, veterinary measures etc.

(in million euro, at 2004 prices)

<table>
<thead>
<tr>
<th>CA</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Evolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAP</td>
<td>54279</td>
<td>55259</td>
<td>55908</td>
<td>56054</td>
<td>55859</td>
<td>55666</td>
<td>55853</td>
<td>55497</td>
<td>2.24%</td>
</tr>
<tr>
<td>of which rural development</td>
<td>10544</td>
<td>11759</td>
<td>12235</td>
<td>12700</td>
<td>12825</td>
<td>12952</td>
<td>13077</td>
<td>13205</td>
<td>25.24%</td>
</tr>
<tr>
<td>of which market support measures and direct aid payments</td>
<td>43735</td>
<td>43500</td>
<td>43673</td>
<td>43354</td>
<td>43034</td>
<td>42714</td>
<td>42506</td>
<td>42293</td>
<td>-3.30%</td>
</tr>
<tr>
<td>market support measures and direct aid payments 25% co-financing by Member States</td>
<td>32625</td>
<td>32755</td>
<td>32515</td>
<td>32275</td>
<td>32035</td>
<td>31879</td>
<td>31720</td>
<td>-27.5%</td>
<td></td>
</tr>
<tr>
<td>CAP 25% co-financing by Member States</td>
<td>54279</td>
<td>44384</td>
<td>44990</td>
<td>45215</td>
<td>45100</td>
<td>44987</td>
<td>44956</td>
<td>44925</td>
<td>-17.2%</td>
</tr>
<tr>
<td>market support measures and direct aid payments 50% co-financing by Member States</td>
<td>21750</td>
<td>21836</td>
<td>21677</td>
<td>21517</td>
<td>21357</td>
<td>21253</td>
<td>21146</td>
<td>-51.7%</td>
<td></td>
</tr>
<tr>
<td>CAP 50% co-financing by Member States</td>
<td>54279</td>
<td>33506</td>
<td>34071</td>
<td>34377</td>
<td>34342</td>
<td>34309</td>
<td>34330</td>
<td>34351</td>
<td>-36.7%</td>
</tr>
</tbody>
</table>

1 commitment appropriations
3 excluding administrative expenditure, source: COM (2004) 101
4 excluding administrative expenditure, source: COM (2004) 101
FINANCIAL ENVELOPE FOR MARKET MEASURES/DIRECT PAYMENTS EXPENDITURE

The Commission's proposal is based on the agreement of the European Council in October 2002, which fixed the amounts on the basis of the expenditure envisaged for 2006 with an index of 1%.

FINANCIAL ENVELOPE FOR THE PROPOSAL FOR A REGULATION ON RURAL DEVELOPMENT (COM(2004)0490)

Justification/Objectives

The rural development policy goes hand in hand with the common policy on agricultural markets and helps achieve the objectives set out under Article 33 of the Treaty. This proposal establishes a framework for providing EU support for rural development.

The Community's support for rural development, financed by the European Agricultural Fund for Rural Development (EAFRD), will help realise the following goals:

- increasing competitiveness in agriculture and forestry through support for restructuring;
- enhancing the environment and countryside through support for land management;
- enhancing the quality of life in rural areas and promoting diversification of economic activities

Overall figures

Total allocation for the action (part B): 88 753,- EUR million for commitment appropriations (constant 2004 prices)

Period of application: 1 January 2007 to 31 December 2013

Overall multiannual estimate of expenditure:

a) Schedule of commitment appropriations/payment appropriations (financial intervention)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 and subs. years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment appropriations</td>
<td>11 724</td>
<td>12 198</td>
<td>12 662</td>
<td>12 787</td>
<td>12 913</td>
<td>13 038</td>
<td>13 165</td>
</tr>
<tr>
<td>Payment appropriations</td>
<td>3 426</td>
<td>7 317</td>
<td>7 696</td>
<td>9 091</td>
<td>10 738</td>
<td>12 133</td>
<td>38 086</td>
</tr>
</tbody>
</table>

b) Technical and administrative assistance and support expenditure

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>35</td>
<td>37</td>
<td>38</td>
<td>38</td>
<td>39</td>
<td>39</td>
<td>40</td>
</tr>
<tr>
<td>PA</td>
<td>35</td>
<td>37</td>
<td>38</td>
<td>38</td>
<td>39</td>
<td>39</td>
<td>40</td>
</tr>
</tbody>
</table>

Subtotal a+b

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>11 759</td>
<td>12 235</td>
<td>12 700</td>
<td>12 825</td>
<td>12 952</td>
<td>13 077</td>
<td>13 205</td>
</tr>
<tr>
<td>PA</td>
<td>3 461</td>
<td>7 354</td>
<td>7 734</td>
<td>9 129</td>
<td>10 777</td>
<td>12 172</td>
<td>38 086</td>
</tr>
</tbody>
</table>

An impact assessment has been drawn up and accompanies the proposal.

RR\567902EN.doc  83/289    PE 353.270v0  4-00
## RURAL DEVELOPMENT: 2000 - 2006

**IMPLEMENTATION OF COMMITMENT APPROPRIATIONS**

(in EUR m - current prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EAGGF Guidance</td>
<td>2,894,16</td>
<td>1,239,28</td>
<td>2,963,29</td>
<td>3,508,56 (1)</td>
<td>2,950,46</td>
<td>2,995,84 (2)</td>
<td>3,117,77</td>
<td>3,110,71</td>
</tr>
<tr>
<td>- Programming: Obj.1/Peace/Leader+</td>
<td>2,894,16</td>
<td>1,239,28</td>
<td>2,963,29</td>
<td>3,508,56</td>
<td>2,950,46</td>
<td>2,995,84 (2)</td>
<td>3,117,77</td>
<td>3,110,71</td>
</tr>
<tr>
<td>EAGGF Guarantee</td>
<td>4,084,00</td>
<td>4,176,43 (2)</td>
<td>4,495,00</td>
<td>4,363,23</td>
<td>4,694,00</td>
<td>4,418,88</td>
<td>4,747,32</td>
<td>4,706,04</td>
</tr>
<tr>
<td>- New appropriations</td>
<td>4,084,00</td>
<td>4,176,43</td>
<td>4,495,00</td>
<td>4,363,23</td>
<td>4,595,00</td>
<td>4,319,88</td>
<td>4,698,00</td>
<td>4,656,73</td>
</tr>
<tr>
<td>- Appropriations carried over</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>99,00</td>
<td>99,00</td>
<td>49,32</td>
<td>49,32</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6,978,16</strong></td>
<td><strong>5,415,71</strong></td>
<td><strong>7,458,29</strong></td>
<td><strong>7,871,79</strong></td>
<td><strong>7,644,46</strong></td>
<td><strong>7,414,72</strong></td>
<td><strong>7,865,09</strong></td>
<td><strong>7,816,75</strong></td>
</tr>
</tbody>
</table>

(1) Increase in available budget by carrying over and rebudgeting commitment appropriations

(2) Increase in available budget by transfer
WORKING DOCUMENT NO 10: THE COMMON FISHERIES POLICY

1. The EU Fisheries policy

The main objective of the Common Fisheries Policy (CFP) is to adapt fishing capacities to fishing possibilities in order to decrease overexploitation of resources and to provide a sustainable development for the sector. For this purpose, EC instruments aim to promote an enduring management of the fisheries resources, to encourage economic efficiency and innovation measures in the sector and to support social equality in coastal areas.

Since 1994, the structural aspects of the CFP have been integrated in the Structural Funds Reform with its own objective (Objective 5a, adaptation of fisheries structures) and with an independent financial instrument, the "Financial Instrument for Fisheries Guidance" (FIFG). In order to restrain socio-economic impact of the overexploitation of fish stocks and necessity to reduce overcapacity, other initiatives have been taken, such as the PESCA Community Initiative, aiming at financial support for coastal areas for the 1994-1999 period, or as accompanying measures like financial aid for anticipated retirement or for young fishermen.

The FIFG was reshaped in the framework of the 2000 Agenda, and fisheries dependent coastal areas were integrated in the newly created objective 2 of the structural funds, But no new specific Community Initiative was decided. In that sense, the FIFG 2000-2006 was created to contribute to a sustainable balance between resources and exploitation, to facilitate economic viability among the companies of the sector, to give value to aquaculture and fishing products and to support sustainable economic development for areas depending on fisheries and aquaculture.

Since 1 January 2003, the European Union has adopted a new fisheries policy. The CFP needed to be reformed, as it was not effective enough in doing what it had been created to do. Problems related to overcapacity of the European fleet, under development of European aquaculture, lack of competitiveness of the processing sector or increasing socio-economic problems between coastal communities. Such a situation had a significant negative effect on fishermen's income, the balance of the marine ecosystem and the supply of fish to the EU market. A reform was necessary to achieve biologically, environmentally and economically sustainable fisheries. The main changes introduce a long-term approach, a new policy for the fleets, a strengthening the uniformity of control and sanction rules and the involvement of stakeholders.

The legal framework for the international part of the EU expenditure on fisheries is based on the "fisheries partnership agreements" with third countries and on the regulations on the participation in Regional Fisheries Organisations. There are bilateral fishery partnership agreements with: Angola, Cape Verde, Comoros, Côte d'Ivoire, Faroe Islands, Gabon, Greenland, Guinea, Guinea-Bissau, Kiribati, Madagascar, Mauritania, Mauritius, Mozambique, Sao Tome and Principe, Senegal, Seychelles, Norway.

---

1 a specific document with technical data and tables will be presented separately
2. New proposals put forward by the Commission


The Commission is proposing the new EFF as the new instrument for fisheries programming under the Financial Perspectives for the EU for the 2007-2013 period. The EFF will replace the present FIFG and will help to implement the changes made to the CFP when it was last reformed in 2002. Therefore, it is an important step for the development strategy agreed in Lisbon and Göteborg.

This Fund will be centred on a limited number of key axes:

a) Measures for the adjustment of Community fishing fleet and reduction of the fishing effort: These measures aim to increase public aid for permanent or temporary cessation, investments on board fishing vessels and selectivity, small-scale coastal fishing and socio-economic compensation for the management of the fleet.

b) Aquaculture, processing and trade of fishing and aquaculture products: It means to invest in the sector, to support aqua-environmental measures but also public and animal health measures as well as investment in processing and marketing.

c) Measures of collective interest like conservation of resources, promotion of partnership between scientists and fishery operators and development of new markets and investments in fishing ports to enhance efficiency.

d) Sustainable development of fishing coastal zones: Concerning the restructuring and re-direction of the economic activities, promote the inter-regional co-operation, encourage economic and social development of the communities, improve the employment accessibility and support the Coastal Action Groups (CAG).

e) Technical assistance: At the initiative of the Member States, the Fund may finance, under each operational programme, actions relating to the preparation, management monitoring, evaluation, publicity, control and audit to improve methodology programming.

- Furthermore the Commission intends to propose in 2005 an instrument gathering together all the areas where the Common Fisheries Policy needs finance to support CFP reform covering:

  a) Investment in control measures
  b) Measures to promote scientific advice and technical data
  c) Financing of international fisheries partnership agreements and participation in Regional Fisheries Organisations

In this area, the Commission wants to increase substantially the items "investment in control measures" and "measures to promote scientific advice and technical data". The restructuring of the legal framework for fisheries should lead to more clarity, transparency and administrative simplification.

---

1 The Fund is largely based on the experience from the structural interventions in the fisheries sector undertaken by the FIFG covering the period 1994-1999 (budget: €2679.63 millions (and 262.18 millions for PESCA)) and the 2000-2006 programming period, (budget: €3768.7 millions in 1999 prices). The FIFG financing was mainly focused on actions in objective 1 regions (FIFG did not finance activities in all objectives 2 regions). However, the FIFG intervened outside Objective 1 region via a single programming document for each Member State. Structural measures that were eligible for funding, were as follows: fleet renewal and modernisation of fishing vessels, adjustment of fishing capacities, small-scale coastal fisheries, socio-economic measures, protection of marine resources, aquaculture, fishing port facilities, processing and marketing of fishery and aquaculture products, finding new market outlets and innovative actions.
Finally there will be proposals for new fishery partnership agreements (Libya, Russia and later possibly with Algeria, Kenya, Tanzania)

3. The Fisheries sector in the FP 2007-2013:

Under the existing financial framework 2000-2006, expenditure for fisheries in the EU budget has been foreseen in several different headings. The new Commission proposal, on the other hand, envisages integrating expenditure for the Common Fisheries Policy in the new budget chapter "sustainable management and protection of natural resources", alongside expenditure linked to the Common Agricultural Policy and environment policy.

<table>
<thead>
<tr>
<th>CA¹</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable management and protection of natural resources</td>
<td>56015</td>
<td>57180</td>
<td>57900</td>
<td>58115</td>
<td>57980</td>
<td>57850</td>
<td>57825</td>
<td>57805</td>
<td>3.20%</td>
</tr>
<tr>
<td>Fisheries (incl. intern. fisheries agreements)²</td>
<td>909</td>
<td>1025</td>
<td>1050</td>
<td>1075</td>
<td>1100</td>
<td>1100</td>
<td>1125</td>
<td>1125</td>
<td>23.7%</td>
</tr>
<tr>
<td>of which EFF³</td>
<td>630</td>
<td>655</td>
<td>678</td>
<td>701</td>
<td>713</td>
<td>726</td>
<td>738</td>
<td>752</td>
<td>19.1%</td>
</tr>
</tbody>
</table>

The budget allocated to the EFF under the financial perspective proposed by the Commission for the period 2007-2013 amounts to EUR 4.96 billion for the enlarged Europe of 25, which roughly corresponds to the amounts allocated for the Europe of 15 over the period 2000-2006 (EUR 3.7 billion).

All expenditure on fisheries with the exception of research (which is included in the RTD framework programme in heading 1) would be included in the new heading 2.

Subsidiarity

Even if there is no specific chapter on fisheries, the Treaty assigns to the CFP the same objectives as the CAP (Art.3 (1f), 32, 33 TEC). Today the environmental dimension (Art 7 TEC) plays a decisive role in the CFP apart from the structural aspects. This environmental dimension - the balance of the marine ecosystem- is international and no single Member State could deal with the problems linked to e.g. overfishing adequately. Furthermore, the sustainable development objective of the CFP cannot be adequately met by the Member States given the structural problems encountered for the development of the fisheries sector and the restrictions on financial resources available to member States in an enlarged Union.

Added value

The EFF accompanies resource management measures and helps to adjust the structures of the production sector and the CFP monitoring tools. Secondly, it seeks to pursue a structural support to populations and areas engaged in fisheries activities. Even if this support does not belong to the cohesion policy for the 2007 - 2013 period, the principles of partnership, subsidiarity and concentration focussing less favoured communities and areas where the impact of recovery plans is heavier, are maintained. Following the new set of objectives adopted in the new fisheries policy the fishery partnership agreements shall provide support for the fish industry as a whole and at the same time be fully compatible with the EU's development policy.

¹ Commitment appropriations.
² Source: Commission, information sheets 14 and 19.
³ Source: Commission, information sheets 14 and 19.
Evaluation

The ex-post evaluation of the last financial instrument, IFOP 1994-1999 and the intermediate evaluation of the programme for the 2000-2006 period have suggested the application of the partnership programming and the elimination of some contradictory measures regarding the fleet. It has been also useful to identify the five priorities of the EFF.

The overcapacity of the Community fleet still is, in despite of the efforts made in the framework of the previous structural programs (FIFG 1994 - 1999 and FIFG 2000 - 2006), one of the main reasons of the overexploitation of certain stocks. Therefore, the EFF has to contribute in a decisive way, to reduce the excess of capacity and the restructuring of the sector. In addition those efforts must be done in parallel with social and economic measures to reduce the impact of recovery plans between the fisheries communities.

Preliminary conclusions:

a) The CFP must be an essential element of the EU's environmental efforts to rebalance the marine ecosystem, which is partially on the brink of collapse. In this respect it should be considered as a priority for the financial framework 2007-2013;

b) It must be discussed if the funding of investments on board vessels, which would be possible according to the proposal for a new EFF, and the funding of fisheries partnership agreements with developing countries is a priority for the financial framework 2007-2013;

c) As regards the conservation of stocks, control and enforcement and governance of the CFP, a substantial increase of funds could be considered to face the EU's commitment to improving scientific advice and the knowledge of the state of fish stocks, strengthening co-operation with and between stakeholders, reinforcing control and enforcement and taking account of the establishment of the Joint Community Inspection Structure;
WORKING DOCUMENT NO 11: STRUCTURAL FUNDS

Background

The EU policy on economic and social cohesion applies to the areas in difficulty where major socio-economic disparities between the Member States and between the regions persist. These gaps in wealth and dynamism arise from structural deficiencies in certain key factors for competitiveness such as investment in physical infrastructure, innovation and human resources. The Lisbon European Council set the goal of becoming the most competitive and dynamic area of the world. A strong knowledge-based economy is said to stimulate job creation and promote social and environmental policies offering sustainable development and social cohesion. The EU policy on economic and social cohesion currently represents 36% of the total EU budget compared to 33% in the new FP 2007-2013.

Enlargement on 1 May 2004 increased the population of the European Union by 20% and its territory by 25%, but the GDP by only 5% with a concomitant result that the regional disparities have doubled. Per capita wealth in a Union of 25 will have fallen by about 12.5% and the proportion of the population living in regions whose development is lagging behind increased from 20% to 25%. At the same time, the disadvantaged regions of the EU 15 will still require support.

1. ANALYSIS OF THE FINANCIAL FRAMEWORKS

1.1 Structural and Cohesion Funds 2000-2006
9 objectives - 6 instruments

The Berlin European Council (March 1999) reformed the Structural Funds and adjusted the operation of the Cohesion Fund by concentration of the resources. These Funds received over €30 billion per year between 2000 and 2006 (approx.: €34 billion in 2004 prices), i.e. €213 billion over seven years (€235 billion in 2004 prices). The Instrument for Structural Policies for Pre-accession (ISPA) and the Special Accession Programme for Agriculture and Rural Development (SAPARD) complemented the PHARE programme to promote the economic and social development of applicant countries in Central and Eastern Europe.

<table>
<thead>
<tr>
<th>1999 prices</th>
<th>The Cohesion Fund</th>
<th>The four Structural Funds1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€18 billion</td>
<td>€195 billion</td>
</tr>
<tr>
<td>2004 prices</td>
<td>€20 billion</td>
<td>€215 billion</td>
</tr>
</tbody>
</table>

The Structural Funds concentrate on clearly defined priorities:

- 70% of the funding goes to regions whose development is lagging behind. They are home to 22% of the population of the Union (Objective 1);
- 11.5% of the funding assists economic and social conversion in areas experiencing structural difficulties. 18% of the population of the Union lives in such areas (Objective 2);
- 12.3% of the funding promotes the modernisation of training systems and the creation of employment (Objective 3) outside the Objective 1 regions where such measures form part of the strategies for catching up;
- "Phasing out" regions - transitional support for regions that no longer qualify for Objectives 1&2.

1 these are the European Regional Development Fund, the European Social Fund, the Financial Instrument for Fisheries Guidance and the Guidance Section of the European Agricultural Guidance and Guarantee Fund

RR\567902EN.doc 89/289 PE 353.270v0 4-00
There are also Community Initiatives seeking common solutions to specific problems. They spend 5.35% of the Structural Funds on:

- cross-border, transitional and interregional co-operation (Interreg III);
- sustainable development of cities and declining urban areas (Urban II);
- rural development through local initiatives (Leader +);
- combating inequalities and discrimination in access to the labour market (Equal).

After 1 January 2007 new regulations replacing all existing ones should enter into force.

### 1.2 Proposals for a Reformed Structural and Cohesion Policy 2007-2013

Financial Perspective 2007-2013: Heading 1b) Cohesion for growth and employment

Figures expressed in million € in 2004 constant prices including technical and administrative assistance and support expenditure without Human Resources.

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>46.630</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>47.485</td>
<td>48.215</td>
<td>48.385</td>
<td>48.545</td>
<td>49.325</td>
<td>50.125</td>
<td></td>
<td>338.71</td>
</tr>
</tbody>
</table>

The Commission legislative proposal

3 objectives - 3 instruments

The rapporteur notes that under heading 1b programmes will be supported by the financial resources of the European Regional Development Fund (ERDF)\(^2\), the European Social Fund (ESF)\(^3\), and the Cohesion Fund\(^4\). All previous activities concerning agriculture and fisheries (Financial Instrument for Fisheries Guidance and the Guidance Section of the European Agricultural Guidance and Guarantee Fund) are now under heading 2.

For the FP 2007-2013, the Commission adopted a budget proposal for the enlarged European Union of 27 Member States (the 15, the 10 new Member States, Bulgaria and Romania). The Commission argues that the cohesion policy should have a single budget line with increased resources. In financial terms, it proposes a budget for 2007-2013 equivalent to 0.41%\(^5\) of the Gross National Income (GNI) of the Union of 27 or 336.2 billion for that period.

---

\(^1\) COM(2004) 498
\(^2\) COM(2004) 495 fin
\(^3\) COM(2004) 493 fin
\(^4\) COM(2004) 494 fin
\(^5\) before 0.46% GNI but 0.05% related to fisheries/agriculture is moved to heading 2.
operational expenditure (2004 prices):

<table>
<thead>
<tr>
<th>The Cohesion Fund</th>
<th>Two Structural Funds¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>€63 billion</td>
<td>€273.2 billion</td>
</tr>
</tbody>
</table>

Heading 1b) in € million in current prices including technical and administrative assistance and support expenditure (a+b) without Human Resources (c)²

<table>
<thead>
<tr>
<th></th>
<th>2007-2013</th>
<th>Year [n]</th>
<th>[n+1]</th>
<th>[n+2]</th>
<th>[n+3]</th>
<th>[n+4]</th>
<th>[n+5 and subs. Years]</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments</td>
<td>49 169</td>
<td>51 056</td>
<td>52 863</td>
<td>54 083</td>
<td>55 325</td>
<td></td>
<td>116 723</td>
<td>379 219</td>
</tr>
<tr>
<td>Payments</td>
<td>16 661</td>
<td>29 572</td>
<td>33 570</td>
<td>38 924</td>
<td>45 178</td>
<td></td>
<td>98 591</td>
<td>262 496</td>
</tr>
</tbody>
</table>

The Commission envisages that spending within this heading should increase by 32% (when compared to spending in 2006) to reach €49.7 billion in 2013 (in 2004 prices). The proposed allocation between the policy areas is, on average over the period, 78% for convergence, 18% for regional competitiveness and employment and 4% for territorial co-operation. According to the discussion in the Council 45% of the total budget will be spent in wealthy Member States and 55% in less wealthy Member States. The Commission proposes to maintain a 4% cap per capita intensity spending.

The Community priorities: Objective 1, Objective 2 and Objective 3 are to be respectively replaced by three new objectives: convergence; regional competitiveness and employment; territorial co-operation.

**The "convergence" objective:** (ERDF, ESF, Cohesion Fund) roughly 78% of the total SF budget. Support for growth and job-creation in regions whose development is lagging behind. It will concern regions whose per capita GNI is less than 75% of the average in the Union of 25. It will provide transitional degressive support of 22 billion to the Cohesion countries currently eligible (average EU 15 < 90%) but which will no longer satisfy this criterion for purely statistical reasons (the so-called statistical effect of enlargement³ - "phasing - out regions"). The Commission envisages that spending should increase by 40% (when compared to spending in 2006) to reach € 40 billion in 2013.

**The "Regional competitiveness and employment" objective:** (ERDF, ESF) roughly 18% of the total SF budget. Support for making the industrial economy more dynamic in accordance with the Lisbon and Nice objectives. The Commission is proposing a twin-track approach, at both regional and national level. Regional programmes will help anticipate economic change and on the national level ESF funds will help workers and companies. For the "phasing- in" regions ESF's participation will be max 50%.

---

¹ these are the European Regional Development Fund and the European Social Fund. The Financial Instrument for Fisheries Guidance and the Guidance Section of the European Agricultural Guidance and Guarantee Fund are now under heading 2
² COM (2000) 492
³ The Commission proposes arrangements for the statistical phasing-out regions, in particular:
   - a cap of 85% of the aid level of 2006
   - a degressivity of 85% in 2007 and 2008, 80% in 2009, 75% in 2010, 70% in 2011, 65% in 2012-13 and 60% in 2013
   - an overall average aid of 66% of the amount they would have received as full convergence regions
   - a 75% co-financing rate as under the Berlin phasing-out arrangements
The Commission envisages that spending should increase by 6% (when compared to spending in 2006) to reach € 7.4 billion in 2013.

"Territorial co-operation" objective: (ERDF). Promotion of the balanced development of the territory. The Commission is proposing a new Objective for cross-border, transitional and interregional co-operation, which will receive roughly 4% of the total SF budget. All regions on internal and external frontiers will be able to co-operate with their neighbours. In that context the Commission wants to set up two new legal instruments for co-operation: the "European grouping of cross-border co-operation" on internal frontiers and a "new neighbourhood instrument" on the Union's external frontiers. The Commission envisages that spending should increase by 14% (when compared to spending in 2006) to reach €2.2 billion in 2013.

New Elements

- Under the "Convergence" Objective, the proposal is to set up a specific programme for the seven outermost regions (Guadeloupe, Martinique, French Guyana, Réunion, the Canary Islands, the Azores and Madeira). Regions whose development is lagging behind will remain eligible for state aid, as will the outermost regions for a transitional period.
- The Commission proposes to scrap the current system with its detailed map of areas eligible at sub-regional level and proposes instead a new system of eligibility that is consistent at the level of the 3 priorities.
- Simplified management increasingly based on subsidiarity and decentralisation - Member States responsible for controls.
- The "growth adjustment fund" to permit a rapid reaction to economic recessions and trade crises to be established with a budget of 1 billion (from appropriations left unused from 1a Competitiveness) which could be supplemented by any funds unused after 2 years from ERDF and ESF of max 1 billion.
- ERDF will co-finance the modernisation of basic infrastructure (transport, telecommunications and energy), and the protection of the environment (treatment of water and waste, prevention of natural and technological hazards).
- ESF will expand its role as the main instrument for the European Employment Strategy (EES).
- Cohesion Fund for investment in transport infrastructure and the environment will benefit only countries with a GDP of less than 90% of that of the Community average.

1.3 Added Value

The Structural Funds finance multi-annual programmes focused on the development strategies drawn up in a partnership of the regions, the Member States and the European Commission. Structural Funds were always a top priority for the European Parliament. In 1999 the European Parliament did its utmost to convince Member States that the Structural Funds are a key instrument for regional convergence and therefore should be given priority.

The Cohesion Fund, provided direct finance for specific projects relating to environmental and transport infrastructure in Spain, Greece, Ireland and Portugal where GDP was less than 90% of the Community average of EU 15. The positive effect of Cohesion Fund is especially visible in Ireland where just before enlargement the GDP reached 118%, which was well above the average of EU 15.

1.4 Specific problems

1 COM(2004)496 fin
Total outstanding commitments (RAL) relating to Structural Fund programmes amounted to EURO 62.3 billion at 31 December 2003. A large percentage of that amount EURO 53.2 billion relates to the period 2000-2006. This implies an implementation rate of 54% of commitments. The spending rate for closure of 1994-1999 programmes is also rather low out of 7.7 billion only 2.2 billion were used.

Given the experience gained so far in the field of structural actions (unreliability of Member States' forecast concerning spending capacity and spending needs) it can be expected that several countries will not be able to absorb the financial aid foreseen for the period 2007-2013. The Commission estimates that the gap between commitments and payments will continue to increase hence increase in RAL. It is a matter of concern that policy is made and funds are budgeted year after year, but funds are not used; the risk that this situation can have a negative influence on the Union's legitimacy in the eyes of the public should not be underestimated. It would seem appropriate to pay greater attention to the balance between the Commission's preparation of policy and the accounting for its proper implementation.

2. FUTURE IMPLEMENTATION

The Commission and the Member States manage structural Funds in a shared or decentralised way. That type of management requires good practice and discipline from both sides. Whilst several improvements were implemented by the Commission following recommendations of the Court of Auditors regarding the previous period 1994-1999, and the 2003 Regulation, the Member States still show persistent weaknesses in the systems for supervising and controlling the implementation of the EU budget. As a result in 2000-2006 the payments were still subject to the same errors occurring with the same frequency as in previous years causing substantial delays in spending.

2.1 Evaluation

In its recently published Annual Report for 2003 the Court of Auditors once again reiterated that it has no reasonable assurance that the supervisory systems and controls of significant areas of the budget are effectively implemented by the Member States so as to manage the risks concerning the legality and regularity of the underlying operations. The main risk, as identified by the Court, to the legality and regularity of expenditure for Structural measures arises from the shared management by the Commission and the Member States' with the multiplicity of bodies and authorities with different control structures and practices. As a result the Commission is often unable to obtain adequate assurance that operations carried out in the Member States for period 2000-2006 are legal and regular as the management and control systems in the Member States do not in all cases provide sufficient assurance of the legality and regularity of expenditure. The Court called on the Commission to be responsible for promoting the improvements in internal control systems in partnership with Member States. More on the spot checks are also recommended.

The current Commission proposal as it stands now will give MS even greater power over controls, and it is therefore of importance to analyse carefully whether the new proposals will improve the situation significantly. It should be noted that the Commission's Internal Audit Service recommends the introduction of a "Disclosure Statement" and that this measure is not a part of the new proposal.

In short the 'Disclosure statement' is nothing else than an annual commitment taken by each beneficiary Member State, at the highest level (Finance Minister or Prime Minister) declaring, prior to disbursement, that proper control systems are in place, and establishing a clear legal authority for penalties affecting the overall funding of the Member State concerned.
The 'Disclosure Statement' is interesting because it anchors the Member States' necessary participation in improving the financial management in the Union at political level. Any Finance minister who wants to continue to be Finance minister would most likely prefer to establish well functioning supervisory systems and controls instead of running the risk of having to explain to his/her Parliament, why the national purse has to pay back important sums to the European Union.

The Rapporteur considers essential that each Member State accepts this condition before discussing the level of allocation of Structural Funds.

2.2 Appraisal

For the 2000 to 2002 period net underspending on structural operations payment appropriations totalled 26.6 billion euro (2000: 8.0 billion euro; 2001: 10.5 billion euro; 2002: 8.1 billion euro). Outstanding commitments for structural operations increased by 2.5 billion euro to 69.3 billion euro in 2003; nearly two-and-a-half years worth of payments at the 2003 spending rate. In relation to the 2000 to 2006 programming period outstanding commitments increased by 19% to 53.2 billion euro; 2.3 times current spending. Moreover legal commitments made following the European Council meeting in Berlin, but not yet transformed into budgetary commitments (see paragraph 2.33), total 95 billion euro, giving a total outstanding commitment equivalent of over 164 billion euro, or nearly six years of payments. ¹

This trend represents a particular challenge for the Union, which is the increasing level of outstanding commitments – expenditure legally committed but yet to be made. At the end of 2003 these represented five years’ worth of payments at the current spending rate, a significantly worse situation than at the same time in the previous Financial Perspective. The situation is caused by overly ambitious budgeting and the inability of Member and beneficiary States to absorb EU funds, partly due to delays in setting up the necessary management and control requirements, and partly due to an insufficient number of projects eligible for Community financing.

A realistic expectation of spending ability, and timing of that spending should be made when budgeting in the 2007-2013 Financial Perspective period. A significant proportion of the new period will be needed to liquidate commitments made in the current 2000 to 2006 period. Unless specific measures are taken by the Member States, under-spending in the new period will build upon the problem causing an even greater gap between budgeting and spending.

3. POSSIBLE ALTERNATIVE TO THE COMMISSION PROPOSAL

The objectives under heading 1a and 1 b are complementary and overlapping in certain cases. Investment in infrastructure and environment, improving competitiveness, solving "border" related difficulties, investment in human resources, research and stimulating the economy are mentioned in all priority objectives under heading 1. This move towards single funds for various policy areas will possibly harmonise administrative requirements for implementation and make implementation simpler.

The Structural Funds is the second largest financial instrument of the Community that aims at bringing benefits to its citizens. It is vital therefore, to ensure the flow (liquidity) of financial resources from Structural Funds, which, if unspent would not have a beneficial effect on the Community. It is thus important to consider the existing policy commitments and match limited financial resources to a realistic assessment of what is needed and affordable to meet common objectives.

Therefore the following could constitute elements for a debate:

¹ Court of Auditors Annual Report 2003; point 2.34.
• Combine the structures of Rural Development and former Objective 2 in order to enlarge eligibility
• The duration of the Framework (4-5-6 years) in order to ensure that adequate resources are available to the corresponding political priorities.
• Consider if the policy of an annual "spending target" is an adequate one (difficult to implement in the area of Structural Funds) and if yes, are there necessary flexibility mechanisms to ensure spending.
• Consider viability of project co-financing by the way of loans or capital market
• Does the current "targeted" structure of Structural Funds provide for any flexibility to accommodate e.g. the change of priority?
• Shall the threshold of Solidarity Fund, (as the only flexible instrument), be increased?
• In order to encourage public private investment, which would use appropriations that remain unused each year, should the limit on "growth adjustment fund" be reconsidered?
• Shall the resources be reallocated within heading 1, and if yes, where will they bring maximum benefits to the citizens?
• What is the critical mass necessary to fulfil Community objectives set for 2007-2013?
• Will the Member States be able to comply with the principle of additionally and supply the relevant amounts?
4. CONCLUSIONS

The Structural Funds and Cohesion policy have been the catalyst for new forms of partnership involving the regional and local authorities, national governments and the Union, working both within and across national borders, planning and implementing common development strategies.

However, there are some problems to anticipate:

- there is a need for improvement in forecasting methods and reliability of controls performed by the Member States;
- there could be a problem with capacity available to absorb currently proposed amounts - in effect money unspent and decommitted;
- the current administrative procedures need streamlining and simplifying, so to ease the administrative burden on the Member States, by a revision of the relevant provisions of the Financial Regulations if necessary.

The debate on structural and cohesion funds should be conducted in the framework of the discussions held so far within the European Parliament, notably the Committee on Regional Development, the Committee of Regions and the Council.

To conclude this working document, your Rapporteur would like to concentrate on the following options for further discussion:

a) the adequacy of maintaining the level of expenditure proposed by the Commission

b) in case of a reduction of a global amount (due to a lower ceiling): for the structural Funds, in which geographic area, for which objective, and of which magnitude a reduction of the global amount proposed by the Commission could be made without hampering the EU cohesion policy?

In the discussion about option b) and before the European Parliament takes a position, the Commission should clarify a number of elements, such as:

- could an increase lower than the one foreseen by the Commission be a possible solution?
- could this reduction be realised trough a linear cut?
- could an exclusion of Objective 2-regions be more acceptable?
- could the exclusion of Objective 1-regions from the "rich" countries be an option?
- could the suppression of the phasing-out mechanism be considered?

Your Rapporteur is aware of the sensitive nature of these questions that need to be discussed, and asks the Commission to provide answers concerning the consequences of each presented scenario.

Argument to consider

The choice to be made on the next Financial Perspective and in particular on the cohesion policy is not just about money. It is a question of political direction: do we want a more coherent Union, able to develop faster or rather a Union with greater disparities and poor regions slowing down the process of economic and political integration? This choice will determine the economic future of the EU and will affect its political perspective: without increased Structural Funds, the new Members will tend to block decisions on deeper integration and the old Members will not have bigger markets for their products.
Following the first debate on working document no. 11 on Structural Funds which took place on 12 January, the rapporteur:

a) presents a list of sources and reference for all figures contained in the working document after verification with the Commission services and will introduce some adjustments (current/constant prices, administrative/operational expenditure) in the final version of the document as part of the explanatory statement of the report

b) provides additional information with the relevant "fiches" prepared by the Commission services on cohesion Policy and Structural Funds

c) draws the following provisional conclusions:
   • a large majority of members have
     - indicated a strong support to the Commission's proposal
     - stressed that Cohesion policy should remain a priority for the European Union in the next FP
     - acknowledged difficulties and weaknesses in the implementation of Structural Funds over the past
     - shown some interest for discussing alternative proposals
   • the Commission will defend its proposal in the forthcoming negotiations.
WORKING DOCUMENT NO 12: THE POLITICAL AND LEGAL FRAMEWORK FOR FINANCING EU PROGRAMMES ON ENVIRONMENT

1. The political and legal framework for financing EU programmes on the environment

The EU's environment policy is integrated in a global context. The Agenda 21, initiated on the UN summit in Rio 1992 and followed up in Johannesburg 2002, has set the international framework, including commitments for the Member States and the EU, where economic, ecological and social objectives shall be linked in a way that allows sustainable development all over the world.

The Lisbon/Gothenburg policy goals fit into this international framework. They aim at developing a European economy that delivers growth and social cohesion while reducing negative impacts on the environment. This objective requires continued commitment to sustainable use and management of resources and environment protection. The current trends in the state of the environment and the increased pressures it is subject to call for increased and enhanced action. The implementation of the EU's key environmental objectives – combating climate change, halting the decline in bio-diversity, improving the quality of life and ensuring the sustainable use and management of resources – must complement and reinforce the growth agenda and decouple growth from its negative environmental impacts.

EU funding for environment is mainly done through policies, which are not specifically labelled as "environment policy".

At present, for example, around 16.5% of the ERDF and 50% of the Cohesion Fund are devoted to the environment. In addition, all cohesion, agri-environment and rural development interventions must respect Community law on the environment.

For EU activities, which are specially labelled as "environment policy", expenditure is currently divided between six multi-annual programmes, the European Environment Agency and lines covering the Commission's activities (awareness raising, implementation, and development of new legislation).

The current LIFE programme has three strands:

**LIFE Environment** supports demonstration and pilot projects aimed at developing new approaches and methods for the protection of the environment. **LIFE Nature** supports the implementation of EU nature conservation policy and **LIFE Third Countries** provides funding for capacity building and promoting sustainable development in third countries.

Other programmes in the field of environment are considerably smaller.

- The Community Framework for Co-operation to promote Sustainable **Urban Development** provides financial and technical support to networks of local authorities.
- The Community Action Programme promoting non-governmental organisations (NGOs) provides financial assistance for NGOs, which are involved in contributing to the development and implementation of Community environmental policy and legislation.
- The **Forest Focus** programme covers the monitoring and protection of forests against atmospheric pollution and fires.
- The framework for Community co-operation in the field of marine pollution supports existing instruments for marine and coastal protection.
• The action programme and the Community Mechanism on Civil Protection support and supplement Member States' efforts to protect persons, environment and property in the event of natural and technological disaster.

Life has been implemented in phases: 400 m € in the first phase (1992-1995), 450 m € in the second phase (1996-1999). 640 m € were allocated for Life III (2000-2004). Life III has been extended until 2006 with a budget of 358 m €.

2. New proposals tabled by the Commission:

Based on the lessons learned and on evaluations the Commission has proposed a new programme LIFE+ (COM 2004/621 fin) in order to simplify the administration of the existing programmes. Most of the programmes mentioned above will be merged to fall under this new single instrument for environment. But the third countries strand of the Life programme, the subsidy to the EEA, the environmental technology and other instruments will cover eco-innovation component of the current LIFE programme and civil protection.

The general objective of LIFE+ shall be to contribute to the development, implementation monitoring, evaluation and communication of Community environment policy and legislation as a contribution to promoting sustainable development in the EU. LIFE+ will support in particular the implementation of the 6th Environmental Action Programme which aims at combating climate change, halting the decline in nature and bio-diversity, improving environment, health and the quality of life, promoting the sustainable use and management of natural resources and wastes and developing strategic approaches to policy development, implementation and information/awareness raising.

In particular LIFE+ shall contribute to:

• achieving a quality of the environment where the levels of pollution do not give rise to harmful effects on human health and the environment,

• stabilising greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.

• protecting, preserving, restoring and facilitating the functioning of natural systems, natural habitats, wild flora and fauna, with the aim of halting desertification and the loss of biodiversity,

• promoting better management of natural resources and waste, and encouraging a shift to more sustainable production and consumption patterns.

• developing strategic approaches to policy development, implementation and integration, including improving environmental governance and raising awareness.


The new Commission proposal provides for the incorporation of expenditure for the environment into the new budget chapter on 'sustainable development and protection of natural resources', together with that relating to the Common Agricultural Policy and the Fisheries Policy.

<table>
<thead>
<tr>
<th>CA¹</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Increase</th>
</tr>
</thead>
</table>

¹ commitment appropriations
Sustainable development and protection of natural resources

<table>
<thead>
<tr>
<th>Maintaining a continuing high level of protection of the environment and promoting the sustainable use of management resources¹</th>
<th>56015</th>
<th>57180</th>
<th>57900</th>
<th>58115</th>
<th>57980</th>
<th>57850</th>
<th>57825</th>
<th>57805</th>
<th>3,20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>254</td>
<td>275</td>
<td>300</td>
<td>325</td>
<td>350</td>
<td>375</td>
<td>400</td>
<td>425</td>
<td>67,3%</td>
<td></td>
</tr>
</tbody>
</table>

The amounts for environment under the new heading reflect to a large extent the amounts foreseen in the Commission's proposal for LIFE+. The remaining part (ca. 30 m € per year) is necessary for the financing the European Environmental Agency in Copenhagen.

LIFE+ shall also finance activities under NATURA 2000 in those cases where funding from other sources, such as rural development or the structural funds, could not be drawn.

The programme on Civil Protection would continue to be funded separately under Heading 3 ("Citizenship, freedom, security and justice"), under a special solidarity and rapid reaction instrument. It would be part of the overall preparedness plan with the aim to prevent and/or minimise the effects of major disasters.

All the present environmental activities outside the EU would be funded from Heading 4, external actions ("The EU as a global partner").

4. Added value

Environmental challenges such as global warming and pollution of the air or water are transborder problems, which can be tackled only on an international (European and world-wide) level. There is not only a need for European legislation on environment in order to avoid unfair competition but also a need for European financial support in order to contribute to the implementation of international obligations and Community nature protection legislation (the "Birds" directive (79/409 EEC), the "Habitats" directive (92/43 EEC) and in particular the establishment of the "Natura" area network for the in-situ management and conservation of Europe's most remarkable fauna and flora species and habitats).

5. Problems in view of heading 2

The most important problem concerns the financing of "Natura 2000". Under the existing Programme Life, the part "Life Nature" has helped to launch Natura 2000. In future it is necessary to realise an active management of the sites, which requires increased funding and funding of a strategic, longer term and structural nature. The Natura 2000 network is expected to cover an area of 63,7 m hectares and the costs have been estimated at EUR 6,1 billion € annually. The responsibility for implementing and delivering adequate management of Natura 2000 sites lies with the Member States. However, the Habitats directive provides for EU co-financing measures. The Commission does not plan to co-finance Natura 2000 substantially via the new Life+ programme or any other specific financial instrument. On

¹ including administrative expenditure
the contrary, the Commission argues that Natura 2000 objectives can be fully and effectively integrated within the rural development and structural/cohesion goals for areas covered by these funds that include Natura 2000 sites. But there is (e.g.) no ring fenced financial part for Natura 2000 in the Commission's proposal for the new regulation on rural development. In fact, there is no guarantee at all that the (e.g.) rural development fund will actually be used adequately for Natura 2000. It is up to the stakeholders to decide what projects should be funded. The Commission's approach with regard to the funding of Natura 2000 is therefore not appropriate.

As the limited funds foreseen for Life+ are by far not sufficient (and not intended) to co-finance Natura 2000, specific amounts might be earmarked in other relevant funds. This would imply a detailed breakdown of funds within the FP, which is not line with the objective of more flexibility. Alternatively the creation of a specific financial instrument for Natura 2000 could be envisaged. But it is up to the Commission to propose such an instrument (as a legal base).

6. Evaluation

In 2003 a Mid-term evaluation on the implementation of the LIFE financial instrument has been carried out by AEA Technology Environment. According to this report

"LIFE Nature has been very successful in defining and helping to set up approximately 20,000 Natura 2000 conservation sites across the EU. The main impact of the programme has been to define the sites, an activity that is now largely complete, and develop management plans. However, to date, LIFE has only been able to fund practical conservation measures at around 10% of the Natura sites. While this is in itself a significant and valuable achievement, the key challenge for LIFE Nature is to achieve a multiplier effect by stimulating activity at the other 90%.

All stakeholders we have contacted consider that LIFE Nature has been a necessary and highly effective instrument for implementing the birds and habitats directives. They felt that more actions could be carried out if additional budget was available but most considered that LIFE Nature is best suited to funding initiating measures or “pump-priming” projects and that it should not be the sole instrument for implementing Natura 2000.

There is only very limited evidence that LIFE Environment is supporting “preparatory actions” to assist the testing, update and development of either EU or Member State policy. However, there is good evidence that LIFE Environment has demonstrated and proven a variety of clean technologies in key areas, such as improving water quality and recycling waste, the adoption of which will aid the implementation of EU environmental policy.

There is good evidence that LIFE Third Countries is well managed and that projects are contributing significantly to developing capacity in third countries. LIFE fills an important niche in that it is able to respond relatively quickly and flexibly to the environmental need and priorities of third countries.”

Furthermore there is a report from the Court of Auditors¹ dealing with the concept and the management of the programme. The CoA acknowledges substantial efforts to improve the management of the programme but criticises that there is a lack of clear and measurable objectives and recommends to define such objectives to allow for proper evaluation. The role of Life should be made clearer. The management should be revised in view of a separation of the strands "environment" and "nature" due to their intrinsic differences.

¹ OJ 2003 C 292/01
Furthermore it has been reported anecdotally that the implementation of Life has been complicated due to unclear definitions.

7. Preliminary conclusions

1) The most important part of the EU's expenditure for environment is covered by policies which are not specifically labelled as "environment policy", such as the policies on rural development, the ERDF or the cohesion funds. Nevertheless, a specific financial instrument is necessary to tackle specific "trans-European" environmental aspects or problems.

2) The EU's environmental policy has proven to be an essential instrument to contribute to smoothening climate change, halting the decline in nature and bio-diversity, improving environment, health and the quality of life, promoting the sustainable use and management of natural resources and wastes and developing strategic approaches to policy development, implementation and information/awareness raising. In view of the important European dimension, environmental policy should be considered a priority in the new Financial Perspective 2007-2013.

3) On the basis of the Commission's legislative proposals there is no guarantee for adequate financing of Natura 2000. According to the Commission's plans, the new Rural Development Fund and structural funds can in principle be used to finance the management or compensate extra costs (farming and other) in Natura 2000 sites, but it depends on the stakeholders if they use this option; they possibly may do so only if that it will not reduce the required funding for other measures within these funds.

4) In view of the substantial amount needed annually for Natura 2000 it could be envisaged to create specific Sub-Headings, which must be taken into account in the related legislative procedures. The rapporteur does not recommend this option as it reduces flexibility of the FP and forestalls the specialised committees.
INTRODUCTION - THE NEW HEADING 4

The legislative proposal and other elements that form the subject of this Working Document fit into the context of a radical restructuring of legislation in the area of external actions. The current situation is highly complex as a wide variety of instruments, with vastly different geographical and thematic scope and financial envelopes, has developed in an *ad hoc* manner, with little organisational structure. The Commission proposes a drastic simplification with the aim of working under the next Financial Perspectives period and beyond with only six instruments, three of which are geographical and three thematic. Of these, two currently exist and are left without modification. Proposals for the four new ones were published on 29 September 2004.

The new structure based on six instruments

The six instruments proposed by the Commission as legal bases for allocations from Heading 4 (External Actions) are the following:

1) Geographic instruments

The Commission's proposed new structure for the geographic instruments has been described as "concentric circles" as there are separate instruments for different regions closer to, or further from the EU.

i) Instrument for Pre-Accession Assistance (IPA)

The IPA is a new instrument proposed to replace current pre-accession programmes intended to cover allocations to recognised candidate countries and also to potential candidate countries, dubbed "pre-candidates".

ii) European Neighbourhood and Partnership Instrument (ENPI)

The ENPI is a new instrument intended to enable the Community to make a real commitment to bordering countries and others in the vicinity. It replaces MEDA and most of TACIS and includes the element of "cross-border cooperation" previously also financed by Interreg.

iii) Development Cooperation and Economic Cooperation Instrument (DCECI)

The DCECI is a new instrument intended to provide a legal base for allocations to parts of the world not covered by programmes under IPA and ENPI. It replaces the Asia Latin America Regulation and a host of smaller geographical and thematic regulations, and it also covers the European Development Fund which the Commission proposes to integrate into the budget as of 2008.

2) Thematic instruments

---

1 This introduction also appears in the other Working Documents relating to Heading 4.
The thematic instruments proposed for the next Financial Perspectives are intended only for use in exceptional circumstances when actions are required that cannot be programmed under the geographical instruments. They do not therefore correspond to thematic instruments as understood under the current Financial Perspectives, which deal with specific sectors of activity (e.g.: Human Rights). The new "thematic" instruments are rather intended to allow for different programming and modes of delivering assistance.

i) Stability Instrument

This new instrument is proposed to provide a response to crises and security-related threats, and also to address nuclear safety issues. These activities would follow on from the Rapid Reaction Mechanism, the Africa Peace Facility and the European Initiative for Human Rights and Democracy, and the instrument opens the possibility for actions in new areas.

ii) Humanitarian aid instrument

The existing instrument for humanitarian aid remains unchanged under the new structure proposed for external actions.

iii) Macro-Financial Assistance

There is no single instrument for macro-financial assistance but ad hoc decisions are taken by Council to establish programmes as they are required. The Commission takes the view that this system does not need to be modified.

3) Additional elements

As well as providing resources for the above instruments, it is proposed that the Heading 4 under the next Financial Perspectives should also provide for Common Foreign and Security Policy (CFSP) and two instruments from the current heading 6: the emergency aid reserve and the loan guarantees. Furthermore, a small amount of expenditure would be continued under specific legal bases, mainly international agreements, or expenditure undertaken under specific powers conferred by the Treaty or as institutional prerogatives of the Commission.

Budgetisation of the European Development Fund

The Commission proposals for Heading 4 presuppose that the European Development Fund (EDF) will be integrated into the Community budget. In fact, this is very unlikely to occur as unanimity is required in Council and there is very little prospect of this being achieved. If the EDF is not integrated into the Community budget, it is necessary to consider the possible alternatives for the funds currently foreseen for the EDF.

It may be argued that the funds, or a part of them, may be removed from the Community budget altogether and therefore not appear in the next Financial Perspectives. However, if the whole or a part of them remain in the budget, decisions will have to be taken about where they should be redeployed - whether for other instruments within Heading 4 or in other Headings.

Proportion of the budget devoted to Heading 4

A comparison of the proportion of the Community budget dedicated to External Actions under the current Financial Perspective and the proposal for the next Financial Perspective may be seen in the
following tables. For the current Financial Perspective, Heading 7 (Pre-Accession Strategy) has been included in the percentage as it is proposed that its activities should be included within the new Heading 4 under the next Financial Perspective.

The following tables are not directly comparable as figures for administrative expenditure may not be separated out.

**Financial Perspectives 2000-2006 - Headings 4 and 7 as Percentage of Budget**

(Mio € 2004 prices)  
(Source: Decision 2003/430/CE)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation Heading 4</td>
<td>4627</td>
<td>4735</td>
<td>4873</td>
<td>4972</td>
<td>5082</td>
<td>5093</td>
<td>5104</td>
<td>34486</td>
</tr>
<tr>
<td>Allocation Heading 7</td>
<td>3174</td>
<td>3240</td>
<td>3328</td>
<td>3386</td>
<td>3455</td>
<td>3455</td>
<td>3455</td>
<td>23493</td>
</tr>
<tr>
<td>% of total budget (4+7)</td>
<td>8.3%</td>
<td>8.2%</td>
<td>8.1%</td>
<td>8.2%</td>
<td>7.4%</td>
<td>7.3%</td>
<td>7.2%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

*(Excludes administrative expenditure)*

**Proposal for Financial Perspectives 2007-2013 - Heading 4 as Percentage of Budget**

(Mio € 2004 prices)  
(Source: COM (2004) 498 final)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation Heading 4</td>
<td>10,360</td>
<td>11,145</td>
<td>11,865</td>
<td>12,650</td>
<td>13,385</td>
<td>13,955</td>
<td>14,530</td>
</tr>
<tr>
<td>% of total budget</td>
<td>7.8%</td>
<td>8%</td>
<td>8.3%</td>
<td>8.6%</td>
<td>8.9%</td>
<td>9%</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

*(Excludes administrative expenditure)*

1 Figures for 2000-2004 in current prices, for 2005-2006 in 2004 prices
2 Includes the EDF to allow for comparison
PART A : INSTRUMENT FOR PRE-ACCESSION

1) Analysis of the new proposal

i) Programmes to be replaced

The IPA is characterised by a context and set of requirements that are radically different from those influencing the recent evolution of many of the programmes it replaces. This is due to continual changes in the group of countries to which the programmes are addressed with successive enlargements and new European Partnerships and Accession Partnerships.

Of the Regulations replaced, the PHARE Regulation, the Cross-Border Cooperation Regulation and Coordination Regulation and the Turkey Regulation have no financial reference amounts and no end-dates. The ISPA and SAPARD Regulations have no financial reference amounts and no end-dates but specify that the funding should be made available for the period 2000-2006 on the basis of annual budgetary allocations. The Cyprus/Malta Regulation specifies a financial reference amount of €95 million to 2004 and the CARDS Regulation includes a provision for €4650 until its expiry at the end of 2006, but these regulations were not adopted by codecision and the sums were modified following a political agreement of the Budgetary Authority.

Of the thematic regulations for which future actions will be covered partly by ENPI, many expire at the end of 2006. One exception is the AENEAS programme on financial and technical assistance to third countries in the areas of migration and asylum, a quarter of which is included under IPA: this programme runs from 2004 to 2008.

ii) Financial provisions

The regulation as proposed does not include an expiry-date as it is intended to have unlimited duration. However, the financial framework is given for the period 2007-2013 (EU27).

Commission financial programming shows a large decrease (49%) in 2007 as this is when it is assumed Romania and Bulgaria will join the Community. Thereafter the rate of increase is uneven which reflects possible scenarios relating to when countries may pass from pre-candidate to candidate status or may join the Community. Further clarification may be requested on this from the European Commission.
Proposed allocations for IPA

(Amounts stemming from proposals adopted by the Commission on 29.9.2004 in Mio €; 2004 prices, without adm. expenditure)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total envelope</td>
<td>2720</td>
<td>1400</td>
<td>1570</td>
<td>1636</td>
<td>1828</td>
<td>2021</td>
<td>2080</td>
<td>2135</td>
<td>12919</td>
</tr>
<tr>
<td>Annual increase in %</td>
<td>-49%</td>
<td>12%</td>
<td>4.2%</td>
<td>12%</td>
<td>11%</td>
<td>2.9%</td>
<td>2.6%</td>
<td>7.5% (average)</td>
<td></td>
</tr>
<tr>
<td>Total annual increase</td>
<td>170</td>
<td>236</td>
<td>428</td>
<td>621</td>
<td>680</td>
<td>735</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Over the same period, a total of 13.5% of Heading 4 is allocated to the IPA.

IPA allocations as percentage of Heading 4

(Amounts stemming from proposals adopted by the Commission on 29.9.2004 in Mio €, based on 2004 prices, without adm. expenditure)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Heading 4</td>
<td>12.4%</td>
<td>13%</td>
<td>12.7%</td>
<td>13.3%</td>
<td>14.3%</td>
<td>14.3%</td>
<td>14.2%</td>
<td>13.5% (average)</td>
<td></td>
</tr>
</tbody>
</table>

The proposal provides no visibility for levels of funding per country, region, objective or Component. It remains to be seen whether the structure of the budget, proposed by the Commission for 2007, will provide visibility for any of these elements, or whether it will fall to Parliament to introduce the necessary changes in chapters or budget-lines. It should be noted in this context that the tendency in recent years has been for the Commission to seek to reduce the number of budget-lines for External Actions which does not enhance visibility or ex-ante control by Parliament. However, Parliament has never considered itself bound by the internal structure of the Commission, which is reflected in the ABB structure of the budget, and may well foresee more than one budget-line with the same legal base.

However, the Legislative Financial Statement states that as the countries of the Western Balkans become candidate countries, it is proposed that they should receive a similar level of funding per capita as established under the current financial perspective for the 10 candidate countries of Central and Eastern Europe. Turkey is treated differently as the size and absorption capacity of the country has to be taken into account – a gradual increase is proposed over the period 2007/2013 towards the same level as the Western Balkans.

iii) Legal base and procedure

The IPA proposal is based on Art 181(a) TEC which provides for its adoption under the consultation procedure. The Commission's explanation is that, even though some of the beneficiary countries are classed as ‘developing countries', it is not appropriate to base the instrument on the treaty article for development, Art 179, as its aim is not development, as such, but to prepare countries for accession. Since the inclusion of Art 181(a) in the Treaty as a result of the Treaty of Nice, it has been used for other instruments concerning pre-accession aid in the past.

---

1 Fiche no. 19 Rev 2 of 20 October 2004
2 Average increase is given for the period 2008-2013 to avoid the distorting effect of the accession of Bulgaria and Romania
3 Figures of increase are given from 2007 to avoid the distorting effect of the accession of Bulgaria and Romania.
4 Fiche no. 19 Rev 2 of 20 October 2004
iv) General objective and geographical scope

The objective of the IPA is to support the progressive alignment of beneficiary countries with the standards and policies of the EU with a view to Membership.

The beneficiary countries are divided into two groups:
- The Annex I list of "pre-candidates", comprising Croatia and Turkey.
- There is provision for a simplified procedure to amend the Regulation when countries pass from Annex I to Annex II.
  The Annex II list of "candidate countries", comprising Albania, Bosnia and Herzegovina, Serbia and Montenegro, and the former Yugoslav Republic of Macedonia.

It should be noted that in the revision process of the current Financial Perspective in view of enlargement, Parliament changed the definition of Heading 7 from "Pre-Accession" to the wider term "Pre-Accession Strategy". Since pre-candidate countries are covered by the IPA proposal, a similar change of definition might be envisaged for this instrument.

v) European added value

The need for action at EU level to facilitate the entry into the Union of countries designated as candidates or considered potential candidates is self-evident.

- For candidate countries, EU programmes are needed as in the past to prepare the beneficiaries for full implementation of the acquis communautaire. Since a main focus of the programmes will be to prepare for post-accession implementation of Community internal policy and programmes, action at European level is clearly appropriate.

- For pre-candidate countries assistance would be aimed to bring them step by step closer to candidate country status by concentrating on institution-building, particularly to strengthen the Copenhagen political criteria and selectively promote some alignment with the acquis in areas of mutual advantage. As this is also closely linked to the policies of the EU, action at European level is also needed here.

2) Implementation

As this proposal involves replacing existing programmes with new initiatives similar to those previously carried out with different countries, any examination of previous implementation can only be illustrative.

The Court of Auditors produced four Special Reports on pre-accession aid in 2003 and 2004, all of which referred to countries that have since joined the Community or are expected to do so before the beginning of the next Financial Perspectives period. However, two of the reports relate to activities proposed to be carried out under IPA and hence may be of relevance. Those on twinning and...

1 Colom i Naval Report, Art 4
2 Special Report No 5/2004 concerning the audit of Phare support to prepare Candidate Countries for managing the Structural Funds
   Special Report No 2/2004 concerning pre-accession aid - Has Sapard been well managed?
   Special Report No 6/2003 concerning Twinning as the main instrument to support institution-building in Candidate Countries
   Special Report No 5/2003 concerning PHARE and ISPA Funding of Environmental Projects in the Candidate Countries
environmental projects are less helpful as there is no reference in the IPA proposal to the inclusion of these activities, although the general nature of the proposal means they may not be excluded.

Special Report 2/2004 on SAPARD noted that in the first four years of implementation only 14.8% of the available budget was paid. The backlog was due partly to insufficient early planning by the Commission but also due to over heavy administrative procedures. Further problems were related to the potential beneficiaries’ lack of resources and their difficulties in gaining access to credit. Under IPA, implementation procedures are left to be defined by the Commission and all forms of financing are left open so there is no indication of how the problems identified by the Court of Auditors may be avoided for the future.

Special Report 5/2004 concentrated on support given by PHARE to prepare candidate countries for managing the Structural Funds and was hence directly relevant to activities proposed under IPA. A main concern of the Court of Auditors was that under PHARE there was no clear strategy for preparing candidate countries for managing the Structural Funds and particularly that a new pre-accession instrument modelled on the ERDF and ESF was not established. The IPA proposal appears to respond directly to this criticism by aiming its Components III and IV at these specific areas. A further observation of Special Report 5/2004 was that the effectiveness of institution-building projects for preparing for ERDF and ESF was often hampered by changing ministerial responsibilities within candidate countries. There is no indication whether similar problems are anticipated with the new candidate countries or how they may be addressed.

PART B : EUROPEAN PARTNERSHIP AND NEIGHBOURHOOD INSTRUMENT

1) Analysis of the new proposal

i) Programmes to be replaced.

The TACIS Regulation expires in 2006 and the MEDA regulation has no expiry dates. Although their financial frameworks cover the period 2000-2006, these are not binding as the regulations were not adopted under the codecision procedure and the level of appropriations exceeds the sums mentioned in the regulations. Of the thematic regulations for which future actions will be covered partly by ENPI, many expire at the end of 2006. One exception is the AENEAS programme on financial and technical assistance to third countries in the areas of migration and asylum, a quarter of which is included under ENPI: this programme runs from 2004 to 2008.

ii) Financial provisions

The regulation as proposed does not include an expiry-date as it is intended to have unlimited duration. However, the financial framework is given for the period 2007-2013.

Commission financial programming shows a significant increase in appropriations for the period 2007-2013 (94% compared to 2006).

Proposed allocations for ENPI

(Amounts stemming from proposals adopted by the Commission on 29.9.2004 in Mio €, based on 2004 prices, without adm. expenditure)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total envelope</td>
<td>1290</td>
<td>1350</td>
<td>1450</td>
<td>1700</td>
<td>1850</td>
<td>2021</td>
<td>2255</td>
<td>2513</td>
<td>13139</td>
</tr>
<tr>
<td>Average increase</td>
<td>4.7%</td>
<td>7.4%</td>
<td>7.2%</td>
<td>8.8%</td>
<td>9.2%</td>
<td>11.5%</td>
<td>11.4%</td>
<td>8.6%</td>
<td></td>
</tr>
</tbody>
</table>

1 Fiche no. 19 Rev 2 of 20 October 2004
Total annual increase | 60 | 100 | 250 | 150 | 171 | 234 | 258

Over the same period, a total of 14% of Heading 4 is allocated to the ENPI.

**ENPI allocations as percentage of Heading 4**

*(based on 2004 prices)*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010-000</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Heading 4</td>
<td>0.12%</td>
<td>0.12%</td>
<td>0.13%</td>
<td>0.13%</td>
<td>0.14%</td>
<td>15%</td>
<td>16%</td>
<td></td>
<td>14% (average)</td>
</tr>
</tbody>
</table>

The proposal provides no visibility for levels of funding per country, region, objective or Component. It remains to be seen whether the structure of the budget, proposed by the Commission for 2007, will provide visibility for any of these elements, or whether it will fall to Parliament to introduce the necessary changes in chapters or budget-lines. It should be noted in this context that the tendency in recent years has been for the Commission to seek to reduce the number of budget-lines for External Actions which does not enhance visibility or ex-ante control by Parliament. However, Parliament has never considered itself bound by the internal structure of the Commission, which is reflected in the ABB structure of the budget, and may well foresee more than one budget-line with the same legal base.

iii) Legal base and procedure

The ENPI proposal is based on article 179 TEC, which provides for codecision, and article 181a TEC for which consultation is foreseen. It will therefore be adopted under the codecision procedure.

iv) General objective and geographical scope

Aimed to develop and area of prosperity and close cooperation between the EU and neighbouring countries other than candidates or "pre-candidates" for accession, the ENPI covers Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority of the West Bank and Gaza Strip, the Russian Federation, Syria, Tunisia, and the Ukraine. For programmes of global, regional or cross-border nature, eligibility may extend to other countries, including OCTs and those covered by other instruments.

v) European added value

In its May 2004 Strategy Paper¹, the Commission outlined the added value to be derived from the Neighbourhood Policy. This was complemented by the September 2004 Communication on the Instruments for External Assistance² which accompanied the proposals. Among other advantages, the following are highlighted:

- The possibility of an enhanced and more focused policy approach, bringing together the principal instruments available to the Union and Member States. As the EU has exclusive competence for trade policy, the full range of instruments is only available at European level.

---

¹ COM(2004) 373 final
² COM(2004) 626 final
• The perspective of moving beyond cooperation to "a significant degree of integration", including "a stake for partner countries in the EU's Internal Market". As this refers to the relationship with other EU policies, it is clearly a matter of Community concern.

• The EU may promote a more coherent and coordinated approach than would be possible by 25 Member States acting independently.

• The possibility to gain greater efficiency from pooling resources. This element is particularly important for actions in the area of infrastructure which are likely to figure in cross-border cooperation programmes.

• The advantage that tenders for implementing EU actions are held on an EU-wide basis, hence providing the opportunity to tap the wide variety of expertise available across the Member States.

2. Implementation

Implementation of the MEDA Programme was weak at the beginning of the current financial perspective period but it has been reported at 100% for the most recent years and the projected figure for 2004 is also 100%. For TACIS, figures available for previous years show 100% implementation but the projected figure for 2004 is only 89%. 
The Court of Auditors made a Special Report in 2001 on the functioning of the TACIS Cross-Border Cooperation Programme\(^1\) which highlighted a number of problems, some of which have been addressed in formulating the ENPI proposal. Specifically:

- The recommendation that coordination mechanisms be strengthened between the TACIS CBC Programme and the Interreg and PHARE programmes is addressed by foreseeing joint programmes between Member States and Neighbourhood countries.

- The recommendation that the budget should be increased is partly addressed by the provision for ERDF cofinancing of ENPI CBC actions. However, the lack of financial visibility makes it impossible to assess whether ENPI financing for CBC actions will increase.

- The Court also recommended that greater emphasis be placed on infrastructure and investment support, that greater priority should be given to projects to increase living standards in the eligible regions and that a higher proportion of funds should be allocated to the Small Project Facility. No assessment can be made as to how far the ENPI will address these concerns as programming details are not given in the proposal but are to be defined in future strategy documents.

**PART C QUESTIONS**

**Heading 4\(^2\)**

1. Bearing in mind the extreme pressure on Heading 4 allocations during the current Financial Perspectives and the need to resort almost every year to the Flexibility Instrument, is the overall sum proposed for Heading 4 sufficient to match the ambitions of the EU in the field? Or should the ambitions of the EU be reviewed (and in which proportion) in relation with the overall final amount of the Financial Perspectives?

2. Is the percentage of the budget allocated to Heading 4 appropriate for the EU's wish to become a "global player" and to address the often-repeated argument that it "punches below its weight" in the area of External Actions?

3. Do the allocations made to the financial envelopes of the different instruments reflect the priorities of Parliament?

4. Is Parliament prepared to accept the proposed breakdown in financial envelopes between instruments, in which only two are fixed by codecision and the others are only under consultation with less binding financial provisions? Might it be appropriate to consider using sub-headings or other means to ensure the breakdown is respected?

5. Given that budgetisation of the European Development Fund is highly unlikely, what would be the preference of Parliament for the use of funds currently proposed for this purpose? Are they, or a part of them, to be maintained within the budget? If so, should they be kept within Heading 4 or used for other headings? If they are to be kept within Heading 4, according to which priorities are they to be redistributed?

---

\(^1\) OJ C 329, 23.11.2001

\(^2\) These conclusions also appear in the other Working Documents relating to Heading 4.
6. The proposed new Heading 4 structure reduces the visibility of the different actions through a concentration of the instruments of finance. Is this acceptable to Parliament?

7. For the geographic instruments, does Parliament agree with the "concentric circles" approach or should some other breakdown be envisaged? Should this be based on the different regions of the world with which the EU maintains relations or on other criteria (e.g.: GDP per capita)?

8. For the thematic instruments, is three the optimal number? If so, does Parliament agree with the choice of sectors based on mobilising funding only in exceptional circumstances? Would it be preferable for Parliament to maintain separate sectoral instruments as at present?

9. Is it necessary to maintain a margin or some form of flexibility to provide for unforeseen needs or are the three thematic instruments, intended for use in exceptional situations, adequate to perform this role?

10. While the need for some form of simplification in Heading 4 is beyond dispute, can Parliament agree to the proposed rationalisation to only 6 new instruments? Should Parliament seek a different breakdown between legislative instruments?

**Pre-Accession (IPA)**

1. Does Parliament wish to modify the name of the instrument in line with its modification of the definition of Heading 7 of the current Financial Perspective?

2. Is the total level of finance appropriate to reflect the priority Parliament wishes to accord to future pre-accession programmes? In comparison with other areas financed from Heading 4, is 13.5% of the Heading 4 envelope an appropriate proportion for this purpose?

3. Is Parliament in overall agreement with the Commission’s outlined level of support per country? Is it acceptable that funding for Turkey should only gradually increase towards the level per capita envisaged for the other beneficiary countries?

4. Is Parliament prepared to accept the lack of visibility for levels of funding per country or Component within the IPA?

5. Does Parliament agree with the criteria used to define the countries eligible for assistance from IPA as opposed to ENPI or would it prefer a different system?

6. Is it acceptable for Parliament that two of the three lists of areas eligible for support are non-exhaustive and that the third includes such general elements as “social and economic development”?

7. Does Parliament agree with the proposed breakdown between the five Components?

8. Should a revision clause be envisaged?

**the European Neighbourhood and Partnership Instrument**
1. Is the total level of finance appropriate to reflect the level of priority Parliament wishes to accord to the ENPI? Does this priority, *vis-à-vis* other Heading 4 priorities, justify the use of 14% of Heading 4 funds for this purpose?

2. Is Parliament prepared to accept the lack of visibility for levels of funding within the ENPI per country, region, thematic objective or type of programme?

3. Does Parliament agree with the criteria used to define the countries eligible for assistance from ENPI as opposed to IPA or would it prefer a different system?

4. Are Parliament's concerns appropriately covered by the list of 25 objectives which may be supported?

5. Is it appropriate for cross-border cooperation programmes to be cofinanced from the ERDF? Is it appropriate to set the ERDF:ENPI ratio of funding at 1:1 for these programmes?

6. Should a revision clause be envisaged?

**PART D CONCLUSIONS**

Without prejudice of the outcome of the debate and the answers to the questions raised above, your rapporteur proposes the following conclusions:

a) notes that the Commission proposal envisages maintaining EU External Actions under Heading 4, as under the current Financial Perspectives but including the Pre-Accession Strategy;

b) welcomes the efforts of structural simplification and the political signal resulting from the integration of the current Heading 7 "Pre-Accession Strategy" into Heading 4;

c) will evaluate, on the basis of the opinions to be delivered by the specialised committees, whether the breakdown of the four new instruments proposed under Heading 4 - IPA, ENPI, DCEC and Stability - reflect the European Parliament's political priorities in legislative and budgetary terms;

d) insists on a level of funding for External Actions sufficient to enable the EU to become a real "global partner" in the world and to provide it with the means for its political ambitions;

e) considers that the budgetisation of EDF should not be made to the detriment of other policies and is not ready to perpetuate a situation of constant pressure under Heading 4 as occurred under the current Financial Perspectives;

f) is aware that, if the final overall amount of the next Financial Perspective is lower than the Commission proposal, the European Parliament would have to establish a link between the overall ceiling and the ceiling of Heading 4 when defining its priorities for the next period.
INTRODUCTION - THE NEW HEADING 4

The legislative proposal and other elements that form the subject of this Working Document fit into the context of a radical restructuring of legislation in the area of external actions. The current situation is highly complex as a wide variety of instruments, with vastly different geographical and thematic scope and financial envelopes, have developed in an ad hoc manner, with little organisational structure. The Commission proposes a drastic simplification with the aim of working under the next Financial Perspectives period and beyond with only six instruments, three of which are geographical and three thematic. Of these, two currently exist and are left without modification. Proposals for the four new ones were published on 29 September 2004.

The new structure based on six instruments

The six instruments proposed by the Commission as legal bases for allocations from Heading 4 (External Actions) are the following:

1) Geographic instruments

The Commission's proposed new structure for the geographic instruments has been described as "concentric circles" as there are three separate instruments for different regions closer to, or further from the EU.

i) Instrument for Pre-Accession Assistance (IPA)

The IPA is a new instrument proposed to replace current pre-accession programmes intended to cover allocations to recognised candidate countries and also to potential candidate countries, dubbed "pre-candidates".

ii) European Neighbourhood and Partnership Instrument (ENPI)

The ENPI is a new instrument intended to enable the Community to make a real commitment to bordering countries and others in the vicinity. It replaces MEDA and most of TACIS and includes the element of "cross-border cooperation" previously also financed by Interreg.

iii) Development Cooperation and Economic Cooperation Instrument (DCECI)

The DCECI is a new instrument intended to provide a legal base for allocations to parts of the world not covered by programmes under IPA and ENPI. It replaces the Asia Latin America Regulation and a host of smaller geographical and thematic regulations, and it also covers the European Development Fund which the Commission proposes to integrate into the budget as of 2008.

2) Thematic instruments

---

1 This introduction also appears in the other Working Documents relating to Heading 4.
The thematic instruments proposed for the next Financial Perspectives are intended only for use in exceptional circumstances when actions are required that cannot be programmed under the geographical instruments. They do not therefore correspond to sectoral instruments as understood under the current Financial Perspectives, which deal with specific sectors of activity (e.g.: Human Rights). The new "thematic" instruments are rather intended to allow for different programming and modes of delivering assistance.

i) Stability Instrument

This new instrument is proposed to provide a response to crises and security-related threats, and also to address nuclear safety issues. These activities would follow on from the Rapid Reaction Mechanism, the Africa Peace Facility and the European Initiative for Human Rights and Democracy, and the instrument opens the possibility for actions in new areas.

ii) Humanitarian aid instrument

The existing instrument for humanitarian aid remains unchanged under the new structure proposed for external actions.

iii) Macro-Financial Assistance

There is no single instrument for macro-financial assistance but ad hoc decisions are taken by Council to establish programmes as they are required. The Commission takes the view that this system does not need to be modified.

Additional elements

As well as providing resources for the above instruments, it is proposed that the Heading 4 under the next Financial Perspectives should also provide for Common Foreign and Security Policy (CFSP) and two instruments from the current heading 6: the emergency aid reserve and the loan guarantees. Furthermore, a small amount of expenditure would be continued under specific legal bases, mainly international agreements, or expenditure undertaken under specific powers conferred by the Treaty or as institutional prerogatives of the Commission.

Budgetisation of the European Development Fund

The Commission proposals for Heading 4 presuppose that the European Development Fund (EDF) will be integrated into the Community budget. In fact, this is very unlikely to occur as unanimity is required in Council and there is very little prospect of this being achieved. If the EDF is not integrated into the Community budget, it is necessary to consider the possible alternatives for the funds currently foreseen for the EDF.

It may be argued that the funds, or a part of them, may be removed from the Community budget altogether and therefore not appear in the next Financial Perspectives. However, if the whole or a part of them remain in the budget, decisions will have to be taken about where they should be redeployed - whether for other instruments within Heading 4 or in other Headings.

Proportion of the budget devoted to Heading 4

A comparison of the proportion of the Community budget dedicated to External Actions under the current Financial Perspective and the proposal for the next Financial Perspective may be seen in the
The following tables are not directly comparable as figures for administrative expenditure may not be separated out.

**Financial Perspectives 2000-2006 - Headings 4 and 7 as Percentage of Budget**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation Heading 4</td>
<td>4627</td>
<td>4735</td>
<td>4873</td>
<td>4972</td>
<td>5082</td>
<td>5093</td>
<td>5104</td>
</tr>
<tr>
<td>Allocation Heading 7</td>
<td>3174</td>
<td>3240</td>
<td>3328</td>
<td>3386</td>
<td>3455</td>
<td>3455</td>
<td>3455</td>
</tr>
<tr>
<td>% of total budget (4+7)</td>
<td>8.3%</td>
<td>8.2%</td>
<td>8.1%</td>
<td>8.2%</td>
<td>7.4%</td>
<td>7.3%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

*(Excludes administrative expenditure)*

**Proposal for Financial Perspectives 2007-2013 - Heading 4 as Percentage of Budget**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation Heading 4</td>
<td>11,280</td>
<td>12,115</td>
<td>12,885</td>
<td>13,720</td>
<td>14,495</td>
<td>15,115</td>
<td>15,740</td>
</tr>
<tr>
<td>% of total budget</td>
<td>8.4%</td>
<td>8.7%</td>
<td>9%</td>
<td>9.4%</td>
<td>9.7%</td>
<td>9.8%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

*(Includes administrative expenditure)*

---

1 Figures for 2000-2004 in current prices, for 2005-2006 in 2004 prices
2 Includes the EDF to allow for comparison
PART A: NEW DEVELOPMENT COOPERATION AND ECONOMIC COOPERATION INSTRUMENT

1. Analysis of the new proposal

i) Programmes to be replaced

The concept behind the proposed Instrument for Development Cooperation and Economic Cooperation is that it should be the geographical regulation covering all countries of the world not included under the other two geographical regulations, the European Neighbourhood and Partnership Instrument (ENPI) and the Instrument for Pre-Accession (IPA). As such, it replaces a wide variety of legislation covering relations with developing countries, countries in transition and industrialised countries, totalling 16 regulations. It also presupposes that the European Development Fund will be incorporated within the Community budget and hence aims to include within its coverage cooperation with the countries of Africa, the Caribbean and the Pacific under the Cotonou Agreement.

As well as seeking to replace all existing geographical instruments relating to parts of the world within its area of application (such as those covering Asia and Latin America, South Africa and the industrialised countries of North America, the Far East and Australasia), it also aims to replace a series of sectoral instruments, many of which relate to areas of traditional concern for Parliament (such as human rights, NGO cofinancing and programmes to fight HIV/AIDS, tuberculosis and malaria).

Each successive European Development Fund (EDF) runs for a period of five years and is financed outside the Community budget by individual contributions from the Member States which have until now been based on a key different to that applicable to the budget. The most recent EDF, the ninth, was established by the Cotonou Agreement and was intended to be applicable for the period 2001-2005. However, delays in the ratification of the Cotonou Agreement meant implementation could not begin until 2003, and in the interim EDF actions were financed with RAL from the 6th, 7th and 8th EDFs. The 9th EDF therefore now covers the period 2003-2007. The total sum for the 9th EDF is 13.8 billion euro, giving an annual average of 2,760 million euro.

ii) Financial provisions of the DCECI proposal

The regulation as proposed does not include an expiry-date as it is intended to have unlimited duration. However, the financial framework is given for the period 2007-2013: a total of 44,229\(^1\) million euro is proposed. While there is no indication of the breakdown between countries, regions, sectors of intervention or even between development cooperation and economic cooperation, a figure is included to indicate the sum intended to correspond to the budgetised EDF: this is set at 23,572 million. The Commission’s financial planning shows that the budgetised EDF is programmed for the period 2008-2013, to follow on from the expiry of the 9th EDF. However, an illustrative figure is provided for 2006 and 2007 to allow comparisons to be made.

---

\(^1\) Figures in the proposal are given in current prices.
(Amounts stemming from proposals adopted by the Commission on 29.9.2004 in Mio €; 2004 prices, without adm. expenditure)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008a</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total envelope</td>
<td>1800</td>
<td>2320</td>
<td>5553</td>
<td>5820</td>
<td>6124</td>
<td>6273</td>
<td>6376</td>
<td>6490</td>
<td>38956</td>
</tr>
<tr>
<td>EDF (illustrative figures for 2006/2007)b</td>
<td>2850</td>
<td>2686</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average increase</td>
<td>11%</td>
<td>10.9%</td>
<td>4.8%</td>
<td>5.2%</td>
<td>2.4%</td>
<td>1.6%</td>
<td>1.8%</td>
<td>4.9%</td>
<td></td>
</tr>
<tr>
<td>Increase over 2006</td>
<td>520</td>
<td>383</td>
<td>267</td>
<td>304</td>
<td>149</td>
<td>103</td>
<td>114</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Over the period 2007-2013 the Commission proposes that a total of 44% of Heading 4 should be devoted to the DCECI:

**DCECI allocations as percentage of Heading 4**

(Amounts stemming from proposals adopted by the Commission on 29.9.2004 in Mio €; based on 2004 prices, without adm. expenditure)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total (07-13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Heading 4</td>
<td>41.4%</td>
<td>45.8%</td>
<td>45.8%</td>
<td>45.2%</td>
<td>44.6%</td>
<td>43.3%</td>
<td>42.2%</td>
<td>41.2%</td>
<td>44% (average)</td>
</tr>
</tbody>
</table>

The proposal provides no visibility for levels of funding per country, region, thematic objective or type of programme, except the inclusion of a separate figure, within the financial reference amount, which corresponds to the budgetised EDF. For those programmes currently financed from the budget, no indication is given of funding levels under the new instrument, nor yet any information about the breakdown between development cooperation and economic cooperation. As many of the 16 instruments to be replaced included coded financial provisions for particular geographical regions or thematic sectors, the loss of financial influence for Parliament is considerable. It remains to be seen whether the structure of the budget will provide visibility for any of these elements, or whether it will fall to Parliament to introduce the necessary changes in chapters or budget-lines. It should be noted in this context that the tendency in recent years has been for the Commission to seek to reduce the number of budget-lines for External Actions which does not enhance visibility or ex-ante control by Parliament. However, Parliament has never considered itself bound by the internal structure of the Commission, which is reflected in the ABB structure of the budget, and may well foresee more than one budget-line with the same legal base.

iii) Legal base and procedure

The DCECI proposal is based on article 179 TEC, which provides for codecision, and article 181a TEC for which consultation is foreseen. It will therefore be adopted under the codecision procedure.

iv) General objective and geographical scope
The DCECI proposal gives the strong impression that it is intended to serve a "default" function, enabling the Commission to carry out a wide variety of actions in all countries not covered under other geographical instruments.

As a result, the only geographical limitation on its scope is a negative list, indicating that it is not applicable to "Member States of the Community or Overseas Countries and Territories, or eligible for Community assistance under the pre-accession instrument or the European Neighbourhood and Partnership Instrument, and international measures in multilateral frameworks".

No general objective is given in the proposal. In its place is a non-exhaustive list giving, in very general terms, the sectors which may be supported under the proposal. This is given as: "*inter alia*, development cooperation, economic, financial, scientific and technical cooperation and all other forms of cooperation with partner countries and regions, and international measures to promote the objectives of the EU’s internal policies abroad". While the Commission, Parliament and Member States have frequently referred to the Millennium Development Goals as central to development policy, these are not mentioned as an objective of the instrument. Within the very broad definition of the objectives, decisions on sectors to be supported would be made with no reference to Parliament.

v) European added value

The Commission's September 2004 Communication on the Instruments for External Assistance¹, which accompanied the proposals, outlines the advantages of undertaking external actions at European level. Among other benefits, the following are highlighted:

- The possibility of an enhanced and more focused policy approach, bringing together the principal instruments available to the Union and Member States. As the EU has exclusive competence for trade policy, the full range of instruments is only available at European level.

- The EU may promote a more coherent and coordinated approach than would be possible by 25 Member States acting independently. Coordination between donors is a major problem, particularly for development policy, and in this area European action can make a very valuable contribution.

- The possibility to gain greater efficiency from pooling resources. This element is particularly important for actions in the area of infrastructure which are likely to figure in cross-border cooperation programmes.

- The advantage that tenders for implementing EU actions are held on an EU-wide basis, hence providing the opportunity to tap the wide variety of expertise available across the Member States. This is particularly important for certain actions in developing countries where expertise within individual Member States may be limited.

2. Implementation

At the beginning of the current Financial Perspective period, implementation of Community development policy had reached something of a crisis situation. This was characterised by excessive delays in the administration of both budgetised and EDF development assistance, with an ever-

¹ COM(2004) 626 final
increasing backlog of projects and long delays in payments. Pre-1995 RAL stood at €1,092 million\(^1\) for the budget and €901 million\(^2\) for the EDFs, and RAL from dormant commitments at €1350 million\(^7\) for the budget and €536 million\(^7\) for the EDFs.

In a Communication of 16 May 2000\(^3\) the Commission recognised that external spending had grown at a rate which overwhelmed the services responsible for administering it, and announced an ambitious reform of the management of external assistance to improve procedures. This included the establishment of the EuropeAid Cooperation Office, extensive devolution of responsibilities to the delegations to bring decision-making closer to the beneficiaries (known as "deconcentration"), and an initiative to screen all commitments made prior to 1995 and all dormant commitments dating from 1995 to 1997.

By the end of 2002, the level of pre-1995 RAL had been reduced by 80% for the budget and 60% for the EDFs while dormant commitments had fallen by 27% for the budget and 54% for the EDFs.

Deconcentration has also shown results, with 63 delegations covering 123 states and territories having completed the process by March 2004, and around 70% of the Commission's external assistance portfolio being managed through them. An internal Commission evaluation showed improvements in both the speed and quality of external assistance delivery and comments from other international actors confirmed that the Commission's credibility as a donor was being restored.\(^4\)

3. Budgetisation of the European Development Fund

i) Introduction

The DCECI proposal is the one that is most clearly intended to cover the activities currently financed outside the budget from the EDF, although it is also proposed that elements of ex-EDF funding be incorporated under other instruments\(^5\). This approach follows the Commission Communication 'Towards the full integration of cooperation with ACP countries in the EU budget' of October 2003\(^6\) which argued strongly in favour of budgetising the EDF.

ii) Procedure

In terms of EU procedure, the EDF may be incorporated into the Community Budget by a unanimous vote in Council. However, the EDF has a legal base outside Community legislation, which is the Cotonou Agreement – a separate international treaty between EU Member States and the countries of the ACP Group. This must also be modified if the EDF is to be budgetised. The European Parliament may only have a formal role through the use of its budgetary powers following any decision in favour of budgetisation.

iii) State of Play

After the Communication of October 2003, there were extensive discussions on the subject in Council. However, a number of delegations remained opposed to budgetisation and hence no favourable decision

---

\(^1\) 23 November 1999  
\(^2\) 31 December 1999  
\(^3\) Commission Communication on the Reform of the Management of External Assistance  
\(^4\) Richard Manning, Chair of the Development Assistance Committee of the OECD  
\(^5\) Particularly the Stability Instrument, intended to cover the Africa Peace Facility, and the Humanitarian Aid Instrument, which would cover emergency aid in ACP countries.  
\(^6\) COM (2003) 590
could be taken. The proposal was not, however, formally rejected: it was taken off the Council agenda and no formal discussions are currently taking place on the subject.

In the context of the current mid-term review of the Cotonou Agreement, the Commission notified in February 2004 the areas of the treaty it wished to subject to negotiations. The majority of clauses notified by the Commission were those which required modification in order to effect EDF budgetisation. Negotiations on the mid-term review are ongoing. As yet, there has been no formal pronouncement on the subject of EDF budgetisation by the ACP Group, although representatives of ACP countries have frequently expressed concern about a number of the likely consequences of budgetisation.

The European Parliament has expressed itself in favour of budgetisation of the EDF in numerous resolutions since 1973\(^1\) when the issue was first raised. Its most recent resolution on the subject was adopted on 1 April 2004 on the basis of a report drafted by Michel-Ange Scarbonchi.

It should be noted that Parliament did not support EDF budgetisation unconditionally and your rapporteur recommends that budgetisation should not be pursued to the detriment of other policies.

4. Official Development Aid (ODA)

The Commission admits that the structure of the proposed instruments under Heading 4 means that "a precise figure for ODA under Heading 4 of the new Financial Perspectives cannot be provided as it will depend on the future programming of funds under the different instruments"\(^2\). This is largely due to the ECDC instrument’s lack of financial visibility for development funding, although the introduction to the proposal for a Stability Instrument mentions that most of its funds would also qualify as ODA. In its technical sheet No 44, Commission offers a rough estimate of likely ODA levels made on the basis of the 2003 figures and assuming similar proportions of allocations in the future.

PART B: HUMANITARIAN AID – NO NEW PROPOSAL

1. Analysis

i) Instruments repealed

The Commission has not presented any proposals to repeal, renew or modify the existing Humanitarian Aid Instrument\(^3\). It is proposed that actions should continue to be carried out under the existing regulation and that this should then become one of the six instruments on which External Actions are to be based.

However, there are at present other instruments covering humanitarian activities which contain clauses of mutual exclusivity so they do not cover activities falling under the Humanitarian Aid Regulation. The Commission proposes to repeal these instruments and carry out the work under the Humanitarian Aid Regulation without this being amended.

---

\(^2\) Technical Fiche 37
\(^3\) Council Regulation (EC)1257/96
• Food Aid and food security\(^1\). It is proposed that food aid actions be carried out under the Humanitarian Aid Regulation. The provisions relating to food security would be brought under the new Instrument for Development Cooperation and Economic Cooperation.

• Aid to Uprooted People\(^2\). These operations, intended to help fill the gap between relief, rehabilitation and development, would also be carried out under the Humanitarian Aid Regulation.

The Commission's proposal to repeal these instruments is included in the ECDC proposal.

There is also a part of the European Development Fund which is intended for short-term emergency actions, including assistance to refugees and displaced persons, which is taken from the B-envelope, which is not programmed as it is intended to cover unforeseen needs. The ceiling for short-term emergency actions was set by Council at 270 M€ for the duration of the 9th EDF (giving an average of 55M€ per year). The Commission proposes to bring these actions under the Humanitarian Aid Regulation by way of the decision on EDF budgetisation.

i) Financial Provisions

As the Humanitarian Aid Regulation was adopted in 1996, it does not give a financial reference amount for the next Financial Perspectives. Therefore the only figures available are given in technical information provided by the Commission\(^3\) and are not binding. On the basis of these figures, the following tables may be established:

**Allocations for Humanitarian Aid planned by the Commission**

\((\text{Mio } €; \text{ 2004 prices})\)

<table>
<thead>
<tr>
<th>Source: Fiche 37</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total envelope</td>
<td>710</td>
<td>825</td>
<td>890</td>
<td>900</td>
<td>910</td>
<td>920</td>
<td>930</td>
<td>940</td>
<td>6.315</td>
</tr>
<tr>
<td>of which ex-EDF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average increase</td>
<td></td>
<td>1.2%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Increase over 2006</td>
<td>115</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>24.6%</td>
</tr>
<tr>
<td>% Heading 4</td>
<td>5.8%</td>
<td>7.2%</td>
<td>7.3%</td>
<td>7%</td>
<td>6.6%</td>
<td>6.3%</td>
<td>6.2%</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

In addition, the normal practice within the EC Humanitarian Office (ECHO) is to leave 15% of the main humanitarian line unprogrammed with the intention of using it for unforeseen events. However, in the past this has proved insufficient and the line has had to be reinforced every year through transfers. In these circumstances, resources are normally drawn from the Emergency Aid Reserve, and it is proposed that this should continue to be available under the next Financial Perspectives. Following an agreement between the two arms of the Budgetary Authority, the reserve is to be used "first and foremost for

---


\(^2\) Regulation 2130/2001 of the European Parliament and of the Council on operations to aid uprooted people in Asian and Latin American developing countries

\(^3\) Fiche 37

\(^4\) The figure for 2007 is not given as the increase is distorted by the inclusion of resources under the Food Aid Convention.

\(^5\) The 2008 figure is calculated without EDF to facilitate comparison

\(^6\) Figures calculated without EDF to facilitate comparisons
humanitarian operations but also for civil crisis management and protection where circumstances so require". This text is reproduced in the Commission's proposal for a new IIA. The importance of the reserve for humanitarian aid was demonstrated following the Asian tsunami disaster of 26 December 2003, when a transfer of €100 million was mobilised to finance the emergency response. Commission technical information indicates that the reserve, which will move from Heading 6 to Heading 4, will show the following figures for 2007-2013:

### Allocations for the Emergency Aid Reserve planned by the Commission as a percentage of Heading 4

(Mio €; 2004 prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total envelope</td>
<td>221</td>
<td>221</td>
<td>221</td>
<td>221</td>
<td>221</td>
<td>221</td>
<td>221</td>
<td>1.547</td>
</tr>
<tr>
<td>% Heading 4</td>
<td>1.9%</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.6%</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.6% (average)</td>
</tr>
</tbody>
</table>

Release of the reserve can, however, involve procedures that may be heavier than desired in an emergency situation so it may be advisable to consider other forms of flexibility more appropriate to the circumstances in which humanitarian aid is needed.

iii) European Added Value

Community contributions amount to approximately 25% of the EU's total contribution to humanitarian aid, which is the largest in the world. Community funding tops up and complements Member States national budgets, allowing the EU to be a major donor in this area and adding to its weight on the international stage. Most specifically, the advantages of action at EU level are:

- The EU has the "critical mass" to achieve global coverage: interventions take place in more than 50 countries on all continents.
- With such an important level of contributions, the EU is better able than the Member States to influence the humanitarian international agenda, particularly vis-à-vis other donors (such as the US) or global initiatives.
- Action at EU level serves to disseminate good donor practices for the delivery of quality aid - as illustrated by the increasing use by Member States of the Commission's methodologies and indicators for the design of quality Humanitarian Aid strategies.

### PART C: QUESTIONS

**Heading 4**

1. Bearing in mind the extreme pressure on Heading 4 allocations during the current Financial Perspectives and the need to resort almost every year to the Flexibility Instrument, is the overall sum proposed for Heading 4 sufficient to match the ambitions of the EU in the field? Or should the

---

1 These conclusions also appear in the other Working Documents relating to Heading 4.
ambitions of the EU be reviewed (and in which proportion) in relation with the overall final amount of the Financial Perspectives?

2. Is the percentage of the budget allocated to Heading 4 appropriate for the EU’s wish to become a "global player" and to address the often-repeated argument that it "punches below its weight" in the area of External Actions?

3. Do the allocations made to the financial envelopes of the different instruments reflect the priorities of Parliament?

4. Is Parliament prepared to accept the proposed breakdown in financial envelopes between instruments, in which only two are fixed by co-decision and the others are only under consultation with less binding financial provisions? Might it be appropriate to consider using sub-headings or other means to ensure the breakdown is respected?

5. Given that budgetisation of the European Development Fund is highly unlikely, what would be the preference of Parliament for the use of funds currently proposed for this purpose? Are they, or a part of them, to be maintained within the budget? If so, should they be kept within Heading 4 or used for other headings? If they are to be kept within Heading 4, according to which priorities are they to be redistributed?

6. The proposed new Heading 4 structure reduces the visibility of the different actions through a concentration of the instruments of finance. Is this acceptable to Parliament?

7. For the geographic instruments, does Parliament agree with the "concentric circles" approach or should some other breakdown be envisaged? Should this be based on the different regions of the world with which the EU maintains relations or on other criteria (e.g.: GDP per capita)?

8. For the thematic instruments, is three the optimal number? If so, does Parliament agree with the choice of sectors based on mobilising funding only in exceptional circumstances? Would it be preferable for Parliament to maintain separate sectoral instruments as at present?

9. Is it necessary to maintain a margin or some form of flexibility to provide for unforeseen needs or are the three thematic instruments, intended for use in exceptional situations, adequate to perform this role?

10. While the need for some form of simplification in Heading 4 is beyond dispute, can Parliament agree to the proposed rationalisation to only 6 new instruments? Should Parliament seek a different breakdown between legislative instruments?

Development Cooperation and Economic Cooperation

1. Is the overall level of funding proposed adequate to cover the Community’s ambitions for its relations with developing and industrialised countries outside its neighbourhood? Does this amount to a suitable contribution from the Community to meeting the UN target for donors to devote 0.7% of their GDP to development? Within this envelope, is the sum proposed for ACP countries appropriate to their needs and the activities of a successor to the 9th EDF?

2. Does the allocation of 44% of Heading 4 to development cooperation and economic cooperation fit in with Parliament’s priorities?
Humanitarian Aid

1. Does Parliament consider that the proposed financial allocation for humanitarian aid, plus "first and foremost" use of the Emergency Aid Reserve, is sufficient to cover the likely needs for the next Financial Perspective period?

2. Does the allocation of a maximum of 8.3%\(^1\) of Heading 4 reflect the priority Parliament wishes to accord to humanitarian aid?

3. Given the unforeseen nature of many humanitarian aid interventions, and the need in the past to reinforce funding every year from other sources, would it be appropriate to build in additional of different elements of flexibility? Might it be appropriate for the Commission to leave a greater proportion of the humanitarian aid allocation unprogrammed to allow for unforeseen events?

PART D: CONCLUSIONS

Without prejudice of the outcome of the debate and the answers to the questions raised above, your rapporteur proposes the following conclusions:

a) notes that the Commission proposal envisages maintaining EU External Actions under Heading 4, as under the current Financial Perspectives but including the Pre-Accession Strategy;

b) welcomes the efforts of structural simplification and the political signal resulting from the integration of the current Heading 7 "Pre-Accession Strategy" into Heading 4;

c) will evaluate, on the basis of the opinions to be delivered by the specialised committees, whether the breakdown of the four new instruments proposed under Heading 4 - IPA, ENPI, DCEC and Stability - reflect the European Parliament's political priorities in legislative and budgetary terms;

d) insists on a level of funding for External Actions sufficient to enable the EU to become a real "global partner" in the world and to provide it with the means for its political ambitions;

e) considers that the budgetisation of EDF should not be made to the detriment of other policies and is not ready to perpetuate a situation of constant pressure under Heading 4 as occurred under the current Financial Perspectives;

f) is aware that, if the final overall amount of the next Financial Perspective is lower than the Commission proposal, the European Parliament would have to establish a link between the overall ceiling and the ceiling of heading 4 when defining its priorities for the next period.

---

\(^1\) Humanitarian aid allocation plus Emergency Aid Reserve
WORKING DOCUMENT NO 15: THE STABILITY INSTRUMENT AND CFSP

INTRODUCTION - THE NEW HEADING 4

The legislative proposal and other elements that form the subject of this Working Document fit into the context of a radical restructuring of legislation in the area of external actions. The current situation is highly complex as a wide variety of instruments, with vastly different geographical and thematic scope and financial envelopes, has developed in an ad hoc manner, with little organisational structure. The Commission proposes a drastic simplification with the aim of working under the next Financial Perspectives period and beyond with only six instruments, three of which are geographical and three thematic. Of these, two currently exist and are left without modification. Proposals for the four new ones were published on 29 September 2004.

The new structure based on six instruments

The six instruments proposed by the Commission as legal bases for allocations from Heading 4 (External Actions) are the following:

1) Geographic instruments

The Commission's proposed new structure for the geographic instruments has been described as "concentric circles" as there are separate instruments for different regions closer to, or further from the EU.

i) Instrument for Pre-Accession Assistance (IPA)

The IPA is a new instrument proposed to replace current pre-accession programmes intended to cover allocations to recognised candidate countries and also to potential candidate countries, dubbed "pre-candidates".

ii) European Neighbourhood and Partnership Instrument (ENPI)

The ENPI is a new instrument intended to enable the Community to make a real commitment to bordering countries and others in the vicinity. It replaces MEDA and most of TACIS and includes the element of "cross-border cooperation" previously also financed by Interreg.

iii) Development Cooperation and Economic Cooperation Instrument (DCECI)

The DCECI is a new instrument intended to provide a legal base for allocations to parts of the world not covered by programmes under IPA and ENPI. It replaces the Asia Latin America Regulation and a host of smaller geographical and thematic regulations, and it also covers the European Development Fund which the Commission proposes to integrate into the budget as of 2008.

2) Thematic instruments

The thematic instruments proposed for the next Financial Perspectives are intended only for use in exceptional circumstances when actions are required that cannot be programmed under the geographical instruments. They do not therefore correspond to thematic instruments as understood under the current

---

1 This introduction also appears in the other Working Documents relating to Heading 4.
Financial Perspectives, which deal with specific sectors of activity (e.g.: Human Rights). The new "thematic" instruments are rather intended to allow for different programming and modes of delivering assistance.

i) Stability Instrument

This new instrument is proposed to provide a response to crises and security-related threats, and also to address nuclear safety issues. These activities would follow on from the Rapid Reaction Mechanism, the Africa Peace Facility and the European Initiative for Human Rights and Democracy, and the instrument opens the possibility for actions in new areas.

ii) Humanitarian aid instrument

The existing instrument for humanitarian aid remains unchanged under the new structure proposed for external actions.

iii) Macro-Financial Assistance

There is no single instrument for macro-financial assistance but *ad hoc* decisions are taken by Council to establish programmes as they are required. The Commission takes the view that this system does not need to be modified.

3) Additional elements

As well as providing resources for the above instruments, it is proposed that the Heading 4 under the next Financial Perspectives should also provide for Common Foreign and Security Policy (CFSP) and two instruments from the current heading 6: the emergency aid reserve and the loan guarantees. Furthermore, a small amount of expenditure would be continued under specific legal bases, mainly international agreements, or expenditure undertaken under specific powers conferred by the Treaty or as institutional prerogatives of the Commission.

**Budgetisation of the European Development Fund**

The Commission proposals for Heading 4 presuppose that the European Development Fund (EDF) will be integrated into the Community budget. In fact, this is very unlikely to occur as unanimity is required in Council and there is very little prospect of this being achieved. If the EDF is not integrated into the Community budget, it is necessary to consider the possible alternatives for the funds currently foreseen for the EDF.

It may be argued that the funds, or a part of them, may be removed from the Community budget altogether and therefore not appear in the next Financial Perspectives. However, if the whole or a part of them remain in the budget, decisions will have to be taken about where they should be redeployed - whether for other instruments within Heading 4 or in other Headings.

**Proportion of the budget devoted to Heading 4**

A comparison of the proportion of the Community budget dedicated to External Actions under the current Financial Perspective and the proposal for the next Financial Perspective may be seen in the following tables. For the current Financial Perspective, Heading 7 (Pre-Accession Strategy) has been included in the percentage as it is proposed that its activities should be included within the new Heading 4 under the next Financial Perspective.
The following tables are not directly comparable as figures for administrative expenditure may not be separated out.

**Financial Perspectives 2000-2006 - Headings 4 and 7 as Percentage of Budget**

(Mio € 2004 prices)  
(Source: Decision 2003/430/CE)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>Total 2000-2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation Heading 4</td>
<td>4627</td>
<td>4735</td>
<td>4873</td>
<td>4972</td>
<td>5082</td>
<td>5093</td>
<td>5104</td>
<td>34486</td>
</tr>
<tr>
<td>Allocation Heading 7</td>
<td>3174</td>
<td>3240</td>
<td>3328</td>
<td>3386</td>
<td>3455</td>
<td>3455</td>
<td>3455</td>
<td>23493</td>
</tr>
<tr>
<td>% of total budget (4+7)</td>
<td>8.3%</td>
<td>8.2%</td>
<td>8.1%</td>
<td>8.2%</td>
<td>7.4%</td>
<td>7.3%</td>
<td>7.2%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

*(Excludes administrative expenditure)*

**Proposal for Financial Perspectives 2007-2013 - Heading 4 as Percentage of Budget**

(Mio € 2004 prices)  
(Source: COM (2004) 498 final)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation Heading 4</td>
<td>11,280</td>
<td>12,115</td>
<td>12,885</td>
<td>13,720</td>
<td>14,495</td>
<td>15,115</td>
<td>15,740</td>
</tr>
<tr>
<td>% of total budget</td>
<td>8.4%</td>
<td>8.7%</td>
<td>9%</td>
<td>9.4%</td>
<td>9.7%</td>
<td>9.8%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

*(Includes administrative expenditure)*

---

1 Figures for 2000-2004 in current prices, for 2005-2006 in 2004 prices
2 Includes the EDF to allow for comparison
PART A: INSTRUMENT FOR STABILITY

1) Analysis of the proposal

i) Introduction

The Instrument for Stability is the only one of the non-geographic instruments in the new Heading 4 structure envisaged by the Commission to be the subject of a new proposal. It is one of three instruments intended to respond to emergency situations, but the other two – the Humanitarian Aid Instrument and Macro-Financial Assistance, are left unchanged.

The Commission intends to use the Instrument for Stability to respond to circumstances when the stability of a third country is threatened and/or its security or that of the EU itself is in question. It is envisaged that this instrument may respond to such unforeseen events as have in the recent past put additional demands on resources under Heading 4, such as the crises in Kosovo, Afghanistan and Iraq. It therefore may be seen to go some way to respond to the need for extra flexibility in Heading 4. However, its use would not be limited to crisis situations: the proposal is formulated in such a way that it would also provide a means to respond to other global and trans-regional challenges affecting the security of the citizen, such as nuclear safety, proliferation, terrorism and organised crime.

ii) Programmes to be replaced

The eight regulations to be repealed and replaced by the proposed Instrument for Stability include measures intended respond to emergency situations such as the regulation creating the Rapid Reaction Mechanism and the regulation on support to the UN Interim Mission in Kosovo and the Office of the High Representative in Bosnia and Herzegovina. They also include measures to meet needs in the “grey area” between emergency aid and longer-term development assistance1, such as the regulation on rehabilitation and reconstruction operations in developing countries and the regulation on operations to aid uprooted people in Asian and Latin American countries.

As the Instrument for Stability is currently formulated in such a way as to cover nuclear safety, it also replaces the Council Decision on the EC contribution to the EBRD for the Chernobyl Shelter Fund.

iii) Financial Provisions

The regulation as proposed does not include an expiry-date as it is intended to have unlimited duration. However, the financial framework is given for the period 2007-2013.

Commission financial programming indicates allocations are intended to begin at a relatively low level but show an increase of 257% over the period.

---

1 Known as the “Link between Relief, Rehabilitation and Development” - LRRD
Proposed allocations for the Stability Instrument

(Amounts stemming from proposals adopted by the Commission on 29.9.2004 in Mio €; 2004 prices, without admin expenditure)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total envelope</td>
<td>210</td>
<td>325</td>
<td>425</td>
<td>475</td>
<td>591</td>
<td>647</td>
<td>702</td>
<td>750</td>
<td>3915</td>
</tr>
<tr>
<td>Average increase</td>
<td>54.7%</td>
<td>30.7%</td>
<td>11.8%</td>
<td>24.4%</td>
<td>9.5%</td>
<td>8.5%</td>
<td>6.8%</td>
<td>20.9%</td>
<td></td>
</tr>
<tr>
<td>Increase over 2006</td>
<td>115</td>
<td>100</td>
<td>50</td>
<td>116</td>
<td>56</td>
<td>55</td>
<td>48</td>
<td>540</td>
<td></td>
</tr>
</tbody>
</table>

Stability Instrument allocations as a percentage of Heading 4

(Amounts stemming from proposals adopted by the Commission on 29.9.2004 in Mio €; 2004 prices, without admin expenditure)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Average (07-13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Heading 4</td>
<td>2.8%</td>
<td>3.5%</td>
<td>3.7%</td>
<td>4.3%</td>
<td>4.5%</td>
<td>4.6%</td>
<td>4.8%</td>
<td>2.02%</td>
<td></td>
</tr>
</tbody>
</table>

The volume of appropriations foreseen, including the significant proportion of annual increase should be viewed in the context of the use of the flexibility instrument to reinforce Heading 4 during the period of the current Financial Perspectives as shown in the following table.

Financial Perspective 2000-2006: Mobilisation of the flexibility instrument

<table>
<thead>
<tr>
<th>Year</th>
<th>Use of funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Kosovo (R4)</td>
<td>200</td>
</tr>
<tr>
<td>2001</td>
<td>Serbia (R4)</td>
<td>200</td>
</tr>
<tr>
<td>2002</td>
<td>Fisheries ex-agreement w/Morocco and border regions (heading 4)</td>
<td>200</td>
</tr>
<tr>
<td>2003</td>
<td>Fisheries ex-agreement w/Morocco (heading 4)</td>
<td>12</td>
</tr>
<tr>
<td>2004</td>
<td>PDB + AL1 Iraq (heading 4)</td>
<td>74</td>
</tr>
</tbody>
</table>

The proposal provides no visibility for levels of funding per country, region, objective or theme. It remains to be seen whether the structure of the budget, to be proposed by the Commission for 2007, will provide visibility for any of these elements, or whether it will fall to the Budgetary Authority to introduce the necessary changes in chapters or budget-lines. It should be noted in this context that the tendency in recent years has been for the Commission to seek to reduce the number of budget-lines for External Actions which does not enhance visibility or ex-ante control by Parliament. However, Parliament has never considered itself bound by the internal structure of the Commission, which is reflected in the ABB structure of the budget, and may well foresee more than one budget-line with the same legal base.

The choice of legal base is important to determine the treatment given to the financial envelope under the inter-institutional agreement on budgetary discipline and improvement of the budgetary procedure.

iv) Legal base and procedure
The Stability Instrument is proposed under Article 308 of the Treaty Establishing the European Communities which is for use “where action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community and this Treaty has not provided the necessary powers”. It requires unanimity in Council but only allows for the consultation procedure in the European Parliament. As the proposal also contains some aspects concerning nuclear safety, it is also based on Article 203 of the Euratom Treaty.

In the Explanatory Memorandum accompanying the proposal, the Commission recognises that the civilian aspects of crisis response would normally come within the scope of Articles 179 and 181a of the EC Treaty, which have been used, singly or jointly, as the bases for the other three proposals for new instruments under Heading 4. However, the Commission argues that the provisions for peacekeeping included in the proposal justify the use of Article 308, even though they admit these also contribute to the objectives of Articles 179 and 181a. Furthermore, they argue that Articles 179 and 181a are not legally compatible with Article 203 of the Euratom Treaty.

The draft opinion of the Foreign Affairs Committee for the Temporary Committee on policy challenges and budgetary means of the enlarged Union 2007-2013 calls for the Commission to modify the legal base of the proposal for a Stability Instrument such that it is based on Articles 179 and 181A EC, in parallel with the other proposals for new External Actions instruments. The draftsperson also observes that if the Commission wishes to pursue nuclear safety aspects in it proposal, these should be presented in a separate proposal based on Article 203 of the Euratom Treaty.

If this approach were followed, the codecision procedure would apply for the Stability Instrument proposal.

v) General objective and geographic scope

The Stability Instrument is proposed to cover all third countries and territories. Its general objective is to “finance measures to promote peace and stability and assure the safety and security of the civilian population” in the beneficiary countries. Particularly, the proposal is aimed at promoting EU policies relating to the following four areas:

• the delivery of an effective, timely and integrated response in order to prevent, attenuate or address the consequences of crisis situations, severe political instability or violent conflict;

• major challenges to the establishment or preservation of the rule of law in third countries, including the fight against regional or trans-border challenges such as organised crime, trafficking and terrorism;

• major technological threats with potential trans-border impact, including the promotion of nuclear safety and the fight against the proliferation of weapons of mass destruction;

• the development of peace-keeping and peace-support capacity in partnership with international, regional and sub-regional organisations.

It must be noted that none of the lists of possible measures is exhaustive, opening the possibility that the instrument may be used for purposes other than those listed, subject to decisions under commmitology procedures in which Parliament plays no part.

The general objective also specifically mentions that the proposed regulation could allow for response to new policy initiatives supported by the EU.
The Commission describes these objectives as “essentially a codification and consolidation of Community competence established in an ad hoc and inconsistent manner” hitherto. While at present a crisis response can trigger as many as 7 separate EC financing instruments\(^1\), the Stability Instrument is foreseen as means to provide a single, integrated package tailored to the specific needs of the crisis in question. The Commission says this builds on the integrated approach behind the Cotonou Agreement between EU Member States and the countries of Africa, the Caribbean and the Pacific. However, it may be argued that the provisions proposed for the Stability Instrument go further than existing Community legislation as they would allow for peacekeeping operations. At present, there would be no Community legal base for activities similar to the Africa Peace Facility financed by the European Development Fund under the Cotonou Agreement.

vi) European added value

A significant part of the criticism in recent years that the EU “punches below its weight” in External Actions relates to its relative weakness in response to political crises in third countries and questions of strategic security. If the EU is to fulfil its role as a global player, it needs the means to address international crises and global and regional trans-border challenges with a security or stability dimension.

The Commission intends the Stability Instrument to meet the need for European added value in this area by:

- delivering, within a single legal instrument, an effective, immediate and integrated response to situations of crisis and instability in third countries, building on the added-value already demonstrated by the Rapid Reaction Mechanism and on the emergency provisions already provided for in a number of existing external relations financial instruments;
- addressing global and regional trans-border challenges with a security or stability dimension arising in third countries, including issues such as nuclear safety and non-proliferation, as well as the fight against trafficking, organised crime and terrorism and sudden major threats to public health;
- supporting the implementation of future policy challenges faced by the Union within the areas addressed by the Instrument, complementing actions which may be undertaken under the other external financing instruments

PART B: COMMON FOREIGN AND SECURITY POLICY

i) Introduction

According to Art 28 of the Treaty on European Union, the Community budget may cover administrative expenditure for CFSP, and operational expenditure except where this arises from operations having military or defence implications or in cases where the Council unanimously decides otherwise.

While some administrative expenditure is covered by the administrative budget of the Council, other parts are drawn from the Community Budget, particularly per diem expenses for Special

---
\(^1\) Fiche no. 36
Representatives. Military expenditure is generally governed by the principle that “costs fall where they lie”, meaning that Member States meet the costs of the military forces they make available for each operation. Where Council decides by unanimity that operational expenditure should not be covered by the Community budget, it is charged to Member States in accordance with the GNI scale.

There is no proposal for legislation to provide a legal base for CFSP operational expenditure as this has always been authorised by a case-by-case legal mandate adopted by the Council.

ii) Financial Provisions

In the absence of a proposal, the only information available on likely allocations from Heading 4 for CFSP are to be found in Commission technical data, giving details of their planning. This is represented in the following table, although it should be noted that the Commission does not propose to subject these figures to a legislative procedure and if this approach is followed they may not be considered binding:

**Proposed Allocations for Common Foreign and Security Policy (CFSP)**

\[(\text{Amounts stemming from Commission technical fiche 37 of 9.12.2004 in Mio €; 2004 prices, without admin expenditure})\]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Global amount</td>
<td>75</td>
<td>105</td>
<td>125</td>
<td>140</td>
<td>155</td>
<td>165</td>
<td>174</td>
</tr>
<tr>
<td>Average increase</td>
<td>26.7%</td>
<td>19%</td>
<td>12%</td>
<td>10.7%</td>
<td>9.7%</td>
<td>5.5%</td>
<td>13.9% (average)</td>
</tr>
<tr>
<td>Increase over 2007</td>
<td>30</td>
<td>20</td>
<td>15</td>
<td>15</td>
<td>10</td>
<td>9</td>
<td>99</td>
</tr>
</tbody>
</table>
CFSP allocations as a percentage of Heading 4

(amounts stemming from Commission technical fiche 37 of 9.12.2004 in Mio €; 2004 prices, without admin expenditure)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Average 07-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Heading 4</td>
<td>0.66%</td>
<td>0.87%</td>
<td>0.97%</td>
<td>1.02%</td>
<td>1.07%</td>
<td>1.09%</td>
<td>1.1%</td>
<td>0.97%</td>
<td>0.66%</td>
</tr>
</tbody>
</table>

iii) The role of the European Parliament

The procedure for taking decisions under CFSP is inter-governmental, but where finance is drawn from the EU budget there is clearly a role for Parliament under the annual budgetary procedure. This has been demonstrated annually in negotiations with Council on the budgetary procedure, during which Parliament has particularly aimed to use this as a lever to improve prior information in line with the contribution from the EU budget.

CFSP expenditure has been classified as non-compulsory and is subject to specific provisions in Articles 39 and 40 of the Inter-Institutional Agreement. This was supplemented by joint Declarations of the European Parliament, Council and Commission on 20 July 2000 and 19 December 2002.

The IIA provisions, requiring annual consultation of Parliament and for a "financial statement" to be provided to Parliament for each CFSP decision, have been reproduced almost verbatim in the proposal for a new IIA, with the addition of a provision implementing an agreement reached in budget conciliation on 24 November 2003 requiring consultation meetings at least five times a year. Care should be taken to safeguard Parliament's recent new prerogatives in this area during the negotiation of the new IIA.

In certain circumstances there may be an overlap between the areas of action under CFSP decisions and those that may be financed under community instruments, whether these be geographic instruments or the Stability Instrument. Community interventions may accompany CFSP Joint Actions, or even pre-date them, with work in similar sectors. In these cases it is clear that Parliament has greater influence over the actions taken in the community sphere than in the CFSP sphere.

It is therefore recommended that Parliament should seek to bring its influence to bear with a dual approach:
- it should seek to ensure its budgetary powers are enhanced in the areas of CFSP operational and administrative financing from the Community budget
- it should support the use of community instruments in conjunction with CFSP Joint Actions wherever appropriate.
PART C QUESTIONS

Heading 4

1. Bearing in mind the extreme pressure on Heading 4 allocations during the current Financial Perspectives and the need to resort almost every year to the Flexibility Instrument, is the overall sum proposed for Heading 4 sufficient to match the ambitions of the EU in the field? Or should the ambitions of the EU be reviewed (and in which proportion) in relation with the overall final amount of the Financial Perspectives?

2. Is the percentage of the budget allocated to Heading 4 appropriate for the EU’s wish to become a "global player" and to address the often-repeated argument that it "punches below its weight" in the area of External Actions?

3. Do the allocations made to the financial envelopes of the different instruments reflect the priorities of Parliament?

4. Is Parliament prepared to accept the proposed breakdown in financial envelopes between instruments, in which only two are fixed by codecision and the others are only under consultation with less binding financial provisions? Might it be appropriate to consider using sub-headings or other means to ensure the breakdown is respected?

5. Given that budgetisation of the European Development Fund is highly unlikely, what would be the preference of Parliament for the use of funds currently proposed for this purpose? Are they, or a part of them, to be maintained within the budget? If so, should they be kept within Heading 4 or used for other headings? If they are to be kept within Heading 4, according to which priorities are they to be redistributed?

6. The proposed new Heading 4 structure reduces the visibility of the different actions through a concentration of the instruments of finance. Is this acceptable to Parliament?

7. For the geographic instruments, does Parliament agree with the "concentric circles" approach or should some other breakdown be envisaged? Should this be based on the different regions of the world with which the EU maintains relations or on other criteria (e.g.: GDP per capita)?

8. For the thematic instruments, is there the optimal number? If so, does Parliament agree with the choice of sectors based on mobilising funding only in exceptional circumstances? Would it be preferable for Parliament to maintain separate sectoral instruments as at present?

9. Is it necessary to maintain a margin or some form of flexibility to provide for unforeseen needs or are the three thematic instruments, intended for use in exceptional situations, adequate to perform this role?

10. While the need for some form of simplification in Heading 4 is beyond dispute, can Parliament agree to the proposed rationalisation to only 6 new instruments? Should Parliament seek a different breakdown between legislative instruments?

Stability Instrument

1 These conclusions also appear in the other Working Documents relating to Heading 4.
1. Does Parliament consider that the Stability Instrument is an appropriate contribution to addressing the need for flexibility within Heading 4 to respond to unforeseen events? Should it be complemented with other forms of flexibility?

2. Are the financial allocations for the Stability Instrument, averaging 4.02% of Heading 4, in line with the EU's ambition to be a "global player" in the world? Do they reflect the level of priority accorded by Parliament to these activities?

3. Does Parliament agree that the legal base should be changed to provide for the codecision procedure, even though this means the nuclear safety elements must be presented in a separate proposal, bearing in mind that unforeseen events have in the past been treated with greater transparency either by reinforcing regional lines or by creating new specific lines?

4. Can Parliament accept the lack of visibility of financial allocations per region, country or type of action foreseen under the current Stability Instrument proposal?

Common Foreign and Security Policy

1. Do the allocations foreseen by the Commission for the CFSP reflect the priority accorded by Parliament to these operations?

2. Does Parliament consider it acceptable that CFSP expenditure be authorised by a case-by-case legal mandate adopted solely by the Council? May it be more appropriate to envisage a different form of legal base with parliamentary participation?

3. Are the provisions proposed for the new IIA sufficient to safeguard Parliament's prerogatives over CFSP expenditure taken from the Community budget, or should these be modified to enhance the role of Parliament?

4. Should Parliament support the use of complementary measures, financed under Community instruments, to accompany CFSP Joint Actions where appropriate?
PART D CONCLUSIONS

Without prejudice of the outcome of the debate and the answers to the questions raised above, your rapporteur proposes the following conclusions:

a) notes that the Commission proposal envisages maintaining EU External Actions under Heading 4, as under the current Financial Perspectives but including the Pre-Accession Strategy;

b) welcomes the efforts of structural simplification and the political signal resulting from the integration of the current Heading 7 "Pre-Accession Strategy" into Heading 4;

c) will evaluate, on the basis of the opinions to be delivered by the specialised committees, whether the breakdown of the four new instruments proposed under Heading 4 - IPA, ENPI, DCEC and Stability - reflect the European Parliament's political priorities in legislative and budgetary terms;

d) insists on a level of funding for External Actions sufficient to enable the EU to become a real "global partner" in the world and to provide it with the means for its political ambitions;

e) considers that the budgetisation of EDF should not be made to the detriment of other policies and is not ready to perpetuate a situation of constant pressure under Heading 4 as occurred under the current Financial Perspectives;

f) is aware that, if the final overall amount of the next Financial Perspective is lower than the Commission proposal, the European Parliament would have to establish a link between the overall ceiling and the ceiling of Heading 4 when defining its priorities for the next period.
WORKING DOCUMENT NO 16: FOSTERING EUROPEAN CULTURE AND DIVERSITY

1. BACKGROUND

In its Communication on the Financial Perspectives 2007 - 2013\(^1\) the Commission proposes a separate Heading 3: Citizenship. The bases for inclusion of topics under this heading are that "they flow directly from the interests and expectations of citizens as individuals".\(^2\) Based on this criteria the Commission groups three priority areas under the heading 3 and proposes following breakdown between the policies:

- Area of Freedom, Security and Justice (65%)
- Public health and consumer protection (20%)
- Fostering European culture and citizenship (15%)

The total expenditure for heading 3 amounts to 24.705 million Euro. It is by far the smallest category of the proposed Financial Perspectives and accounts for only 2.3% of the total commitments.

<table>
<thead>
<tr>
<th>Heading 3: Citizenship, Health and Consumers, Culture, Solidarity mechanism</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>TOTAL</th>
</tr>
</thead>
</table>

This working document deals, in particular, with the next generation of programmes on culture, media, youth and civic participation. All these programmes will expire at the end of 2006. The Commission already submitted legislative proposals for three successor programmes in the area of youth, culture and media. The new proposals as well as the proposed financial framework are described and evaluated below. The legislative proposal for the programme to foster civic participation is expected to be submitted in early 2005.

One of the Commission's main aims for the proposed instruments was a simplification of Community programmes, both in legal and management terms. The number of legal bases will be reduced to four with the aim of having one programme per policy area. As a result the number of budget lines concerned will also reduce considerably, from 22 to 4. Moreover, the Commission proposes smoother administrative procedures with simpler and more proportionate contractual and financial rules.

---


\(^2\) European Commission, Multiannual Financial Framework 20078-2013, Fiche no 10
2. ANALYSIS OF THE NEW PROPOSALS (2007-2013)

I. Youth


The objective of the programme is to contribute to young people’s active citizenship and to develop active involvement at local, national and European level among young people as well as to improve support systems for youth activities. The programme will build on the previous programmes such as Youth for Europe and European Voluntary Service and will also include some new measures. It will open up the programme to co-operation with the neighbouring countries and other third countries ("Youth of the World").

The future programme will be further simplified and more flexible compared to the present situation. It will cover both existing legal bases (Youth Action Programme, Programme to promote NGOs in the field of Youth). The current four budget lines will be replaced by a single one. The management of the future programme will mainly be carried out in a decentralised way providing opportunities for complementing Member State initiatives.

The Commission defines ambitious targets for the new programme, which should achieve the following aims:

- Implementation of 40,000 projects for young people for 2007-2013 (compared to 27,000 in the current programming period);
- European voluntary service should reach the number 10,000 participants per year (compared to around 3,500 volunteers per year under the current programme);
- Training, information and exchange of good practice for socio-educational instructors: 5,000 projects per year (the figure is based on the introduction of a new measure on information for young people and on strengthening support actions for NGOs)

The programme overall budget for the years 2007-2013 amounts to 915 million Euro (annual average 130 million Euro). This represents a modest increase compared to the current situation. The annual average expenditure per year for youth would increase from some 90 million Euro to 130 million Euro (2007-2013). The Commission proposes administrative expenditure of 35 million Euro, which represents 3.8 % of the total amount.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational expenditure</td>
<td>106</td>
<td>121</td>
<td>123</td>
<td>126</td>
<td>128</td>
<td>136</td>
<td>140</td>
<td>880</td>
</tr>
<tr>
<td>Technical and adm. assistance</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>35</td>
</tr>
<tr>
<td>Total commitments</td>
<td>111</td>
<td>126</td>
<td>128</td>
<td>131</td>
<td>133</td>
<td>141</td>
<td>145</td>
<td>915</td>
</tr>
</tbody>
</table>

---

1 Proposal for a decision of the European Parliament and of the Council. Creating the "YOUTH IN ACTION" programme for the period 2007-2013
II. Media

Programme for the European audio-visual sector MEDIA 2007 (COM (2004) 470 final)\(^1\). The social and cultural impact of the audio-visual sector exceeds that of any other medium. In Europe the household penetration of television sets is of the order of 98 %. The European Community has implemented a specific policy for the audio-visual sector since 1998. Community activities in favour of the European audio-visual industry currently take the form of two different programmes: MEDIA Plus and MEDIA Training Programme. Both programmes will expire in 2006.

The Commission adopted a proposal for a new Programme for the support for the European audio-visual sector (MEDIA 2007). The new programme will not only incorporate the current MEDIA Plus and the MEDIA training programmes but will also include the Communities participation in the European Audio-visual Observatory and the "i2i action", which has proved to be a successful instrument.

The programme's main objectives are to preserve and promote Europe’s cultural diversity and cinematic/audio-visual heritage and to increase the circulation of European films and other audio-visual productions inside and outside the European Union. Moreover, the competitiveness of the European audio-visual sector should be strengthened.

The Commission proposes following targets to be reached by 2013:
- Increase the market share of European films distributed outside their country;
- Enable 40 European film academies to co-operate at European level;
- Double the number of audio-visual projects supported (2200 supported projects per year);
- Double the number of European distribution campaigns.

As for the administration of the new programme, the Commission put particular emphasis on a considerable simplification of the procedures. The programme will be user-friendlier taking into account, in particular, the structure of the European audio-visual sector, which is characterised by small and medium enterprises.

The Commission proposes an overall budget for the years 2007-2013 of 1.055 million Euro (annual average 150 m Euro). This represents a modest increase compared to the current situation. The annual average expenditure per year for media support would increase from some 90 million Euro to 150 million Euro (2007-2013). The Commission proposes administrative expenditure of 85 million Euro, which represents 8% of the total amount.

\(^1\) Proposal for a decision of the European Parliament and the Council concerning the implementation of a programme of support for the European audio-visual sector (MEDIA 2007)
III. Culture

Programme Culture 2007 (COM (2004) 469 final). The basis for actions at European level in the area of culture is Article 151 of the Treaty of the European Union and leaves the main responsibility for cultural policy in the sphere of the Member States. In compliance with these Treaty provisions, Community action in the cultural area mainly focuses on the promotion of multilateral European cooperation based on contacts between artists, cultural operators and cultural institutions.

The first Culture programme on European level was introduced in 2000, followed by an Action programme for cultural organisation in 2004. The modest financial means dedicated to cultural cooperation during recent years have led to considerable results and thousands of cultural organisations from various European countries (theatres, museums, research centres, cultural institutes, public authorities etc) have worked together to create and implement cultural and artistic projects. On the other hand, the range of objectives led to high expectations, which the programme is not likely to satisfy given its modest level of financial means. Some priority setting seems to be necessary for the successor programme. Moreover, the management of the current programme (e.g. lack of transparency, disproportionate administrative burden on applicants, late payments of grants) needs to be improved.

The new programme Culture 2007 follows the current Culture 2000 programme and incorporates various other cultural activities. The main objective of the programme is transnational mobility for everyone working in the cultural sector in the EU, the transnational circulation of works of art and cultural/artistic products and culture dialogue.

The Commission proposes following targets to be reached by 2013:

- Around 1400 cultural co-operation projects over the period 2007-2013, including 80 multi-annual cultural co-operation focal points;
- Around 50 networks or organisations of European interest.

The programme's overall budget for the years 2007-2013 amounts to **408 million Euro (annual average 58 million Euro)** which represents a modest increase compared to the current situation. The annual average expenditure per year for culture would increase from some 41 million Euro to 58 million Euro (2007-2013). The Commission proposes administrative expenditure of 33 million Euro, which represents 8.1% of the total amount.

---

IV. Civic Participation

The first civic participation programme on European level was launched in 2004. The programme's main aim is to promote the values and objectives of the Union. It incorporates established actions such as "town-twinning" and bodies formally supported under Part A of the Community Budget. The programme provides for grants to co-finance operating costs of a number of bodies (NGOs, think tanks, associations) pursuing an aim of general European interest in relation to active European Citizenship. The overall budget for the Civic Participation programme amounts to 72 million Euro for the years 2004-2006.

The current programme will end with the current Financial Perspective at the end of 2006 and a legislative proposal for a successor programme is expected to be launched in early 2005. This proposal will build on the experiences gained from the recently launched programme and will cover the period from 2007. It will seek to bring citizens closer to the EU and to stimulate active citizenship. Support may be granted to bodies active in the field of European citizenship, including European umbrella organisations, "think tanks" and NGOs.

3. CONCLUSIONS

1. The rapporteur acknowledges the Commission's efforts to simplify and rationalise the current situation regarding the various programmes. In all areas the Commission proposes fewer and simpler legal instruments. The number of legal bases for the policy areas covered by this working document (youth, media, culture, civic participation) will be reduced to four, and the number of budget lines from 22 to 4. However, the possible consequences of this integrated approach in terms of political and budgetary control by the European Parliament and transparency need to be discussed further.

2. The rapporteur also supports the simplification of administrative procedures proposed by the Commission for the new programs in the areas of youth, media and culture. The European Parliament will certainly focus on these issues during the ongoing legislative procedures.

3. As for the Programme Youth in Action, the added European value of this Community programme is obvious. Actions such as organising multilateral youth exchanges, a European Voluntary Service and networking of projects for youth workers can not be organised effectively by individual Member States. The leverage effect of such a programme has also been proven as it helps to steer and sometimes shape national policy measures.

4. As for the MEDIA 2007 Programme, the rapporteur underlines that the audio-visual sector is at the core of technological changes and innovative economic processes and stresses its possible contribution to the creation of a knowledge-base economy as envisaged by the Lisbon process. The
positive results of the current MEDIA programmes need to be underlined. The MEDIA programmes have proved to be very efficient and effective in determining a European added value in order to support the development of the sector.

5. As for the CULTURE 2000 Programme, the rapporteur welcomes the integration of several activities with extremely small financial frameworks into one proposal. The added value of cultural action at Community level is evident as it contributes to raising awareness of the diversity and richness of European cultures and of a common European heritage. The rapporteur underlines shortcomings in the existing programmes, in particular, regarding the programmes management and the fact that it has too many different objectives, especially given the limited budget allocated to it.

6. As for the successor programme of the Civic Participation Programme, the rapporteur regrets that the Commission proposal has not yet been adopted. He calls on the Commission to submit a legislative proposal without any delay in order to enable the European Parliament and the Council to begin legislative work in time to allow for an entry into force of the new programme at the beginning of 2007.

7. On the basis of the broad elements presented above and the opinion of the Committee on Culture and Education\(^1\), the rapporteur expects to draw from the debate:

- whether the Commission approach to integrate a number of existing programmes into four main successor programmes is appropriate and whether all parts of these existing programmes should be continued.

- whether the structure of the proposed Financial Perspective is acceptable, in particular, with regard to heading 3: Citizenship. Heading 3 is by far the smallest category and accounts for only 2.3% of the total commitments (2007-2013)? It covers some areas with particular relevance to European citizens such as Justice and Home Affairs, Consumer, Youth and Culture. Moreover, these policy areas also have a central link to the Lisbon process (Heading 1a). On the other hand, other policy areas with similar relevance to citizens (e.g. environment, education, and social policy, gender equality) are grouped under other headings.

- whether the Programme Youth in Action can be considered as a priority and whether its proposed financial framework (915 million Euro) is sufficient to meet the ambitious objectives of the programme.

- whether the MEDIA 2007 Programme can be considered as a priority and whether its proposed financial framework (1055 million Euro) is sufficient given the central role of the audio-visual sector in the Lisbon process.

- whether the financial framework proposed for the CULTURE 2007 Programme (408 million Euro) is justified.

\(^1\) Draftswoman: Ruth Hieronymi, PE350.226, 1.2.2005
WORKING DOCUMENT NO 17: CONSUMER PROTECTION AND PUBLIC HEALTH

1. BACKGROUND

In its Communication on the Financial Perspectives 2007 - 2013\(^1\) the Commission proposes a separate Heading 3: *Citizenship*. This heading groups three priority areas with the following breakdown of financial means between the policies:

- Area of Freedom, Security and Justice (65%)
- Public health and consumer protection (20%)
- Fostering European culture and citizenship (15%)

The total expenditure for heading 3 amounts to 24.705 million Euro, which represents an increase of about 50% compared to the current situation. Heading 3 is by far the smallest category of the proposed Financial Perspectives and accounts for only 2.3% of the total commitments (2007-2013)

<table>
<thead>
<tr>
<th>Heading 3: Citizenship, Health and Consumers, Culture, Solidarity mechanism</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>TOTAL</th>
</tr>
</thead>
</table>

This working document covers the second priority "*Ensuring access to basic goods and services*" and deals, in particular, with the Community multi-annual programme on *consumer protection and public health* and the future instruments for an enhanced *food safety*. Both relevant Agencies - the *European Food Safety Authority (EFSA)* as well as the newly established *European Centre for Disease Prevention and Control (ECDC)* - are dealt with in a separate working document.

---

2. CONSUMER POLICY and PUBLIC HEALTH

Currently there are two separate programmes in force: a General framework in support of consumer policy (2004-2007)\(^1\) and a Programme in the field of public health (2003-2008)\(^2\). The Commission proposes to incorporate these two programmes in one single instrument, a Health and Consumer Protection programme\(^3\). According to the Commission the current split in these programmes does not fulfil citizens’ expectations. At present, for example, the number of serious requests for support under the public health programme is three times higher than it can meet within its given budget. Moreover, the recent and future enlargement with Romania and Bulgaria poses a particular challenge in the health and consumer area. A brief summary of the current situation as well as a possible perspective in the new programme is given below.

2.1 CURRENT SITUATION

2.1.1. Consumer policy

<table>
<thead>
<tr>
<th>Programme</th>
<th>Principal aim</th>
<th>Duration</th>
<th>Years</th>
<th>Financial framework (Million Euro)</th>
<th>Commitment average per year (Million Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community actions in support of consumer policy for the years 2004 to 2007</td>
<td>Protection of consumer health and safety; protection of the economic and legal interests of consumers; consumer information, capacity building of consumer organisations</td>
<td>2004 -2007</td>
<td>4</td>
<td>81,8</td>
<td>20,45</td>
</tr>
</tbody>
</table>

The General framework for financing Community actions in support of consumer policy\(^4\) was introduced in 2004 and succeeded an earlier consumer programme which covered the 5-year period 1999-2003\(^5\). The main objective of the programme is, in particular, the protection of consumer health and safety as well as of their economic and legal interests.

The actions to be undertaken under the current consumer programme concern the following specific areas:

(a) protection of consumer health and safety with respect to services and non-food products (including scientific advice, risk analysis, preparation of legislation, monitoring and assessment of market developments, the collection and exchange of data and information for integration of consumer interests in other EU policies);

---

\(^1\) Decision no 20/2004/EC of 8 December 2003  
\(^2\) Decision No 1786/2002/EC of 23 September2002  
\(^4\) Decision no 20/2004/EC of 8 December 2003  
\(^5\) Decision 283/1999/EC
(b) protection of the economic and legal interests of consumers (including training of officials, monitoring and assessment of the safety of products and services);

(c) promotion of consumer information and education;

(d) promotion of the capacity of consumer organisations to contribute at European level (in particular training of staff members of regional, national and European consumer organisations)

The programme's overall budget was adjusted following enlargement and amounts to **81.8 million Euro (annual average 20.45 million Euro)** for the years 2004-2007. The programme period exceeds the current Financial Perspectives, which ends in 2006. Therefore, the text of the legal base provides that for 2007 (first year of the new Financial Perspectives) the amount shall be deemed to be confirmed if it is consistent with the new Financial Perspectives.

The consumer programme has not been assessed as it only entered into force in 2004 and its implementation is still ongoing. An evaluation reports on the first years of the previous consumer programme (1999-2001) evaluated the programme positively both in terms of meeting its goals and effectiveness of the expenditure. In particular, the support of European consumer organisation has been assessed as having the highest relevance as these organisations contributed most to the protection of consumers. The report concludes that actions under the consumer programme should concentrate on direct action such as training for staff of consumer organisations and an enhanced exchange of best practice in and between Member States.

### 2.1.2. Public health

<table>
<thead>
<tr>
<th>Programme</th>
<th>Principal aim</th>
<th>Duration</th>
<th>Years</th>
<th>Financial framework (Million Euro)</th>
<th>Commitment average per year (Million Euro)</th>
</tr>
</thead>
</table>

The current *Programme of Community action in the field of public health (2003-2008)* is based on Article 152 of the Treaty. It is an incentive measure designed to protect and improve human health. This legal base excludes any harmonisation of the laws and regulations of the Member States, which maintain the full responsibilities for the organisation and delivery of health services and medical care.

The programme unites the eight previous health programmes, which expired at the end of 2002, in a single, coherent framework (health promotion, health monitoring, communicable diseases, cancer, rare diseases, injury prevention, pollution-related diseases and drug prevention).

---

2. DECISION No 1786/2002/EC of 23 September 2002
The programme's main aim is to contribute to attaining a high level of health protection by directing action towards improving public health, preventing human illness and diseases and obviating sources of danger to health. The actions to be undertaken concern the following specific areas:

(a) improved health information
(b) rapid and co-ordinated reaction to health threats and
(c) tackling health determinants.

Following the recent enlargement round the programme's overall budget was increased from 312 million Euro to **354 million Euro (annual average 59 million Euro)** for the total duration (2003-2008). For the period following 31 December 2006, the relevant part of the financial framework shall be deemed to be confirmed if it is consistent with the new Financial Perspectives.

### 2.2 HEALTH AND CONSUMER PROTECTION PROGRAMME 2007-2013

The Commission is currently preparing a legislative proposal for a new legal base in the consumer and public health area. The **Health and Consumer Protection Programme 2007-2013** is likely to be adopted by the Commission in April 2005\(^1\). This new instrument starts in 2007 and will merge the two existing programmes.

The Health and Consumer Protection Programme will provide sustained capacity building among consumer organisations and will improve consumer safety through better co-operation between Member States’ authorities, as well as between EU and third countries. It will also boost co-operation between Member States to improve the effectiveness and the efficiency of healthcare systems across Europe.

The Commission identifies the following main **policy objectives** of the new programme:

1) **Common objectives**: health and consumer protection
   - Empowerment and protection of citizens (health products, safety of goods and services, scientific advice)
   - "Mainstreaming" health and consumer policies into other policy areas

2) Specific objectives regarding **Consumer Protection**
   - Establishment of a "European Consumer Centre/Institution"
   - Enforcement of consumer rights
   - Completion and modernisation of the legal framework
   - EU-wide collation and analysis of consumer data to define consumer policy priorities

3) Specific objectives regarding **Public Health**
   - Improving health information and promotion
   - Managing rapid response to health threats
   - Fostering co-operation between national health systems

### ALTERNATIVE INSTRUMENTS

\(^1\) Roadmap: Health and Consumer Protection Strategy and Programme 2007-2013, DG SANCO
Regarding the establishment of a new instrument the Commission identifies four options and their likely impacts could be summarised as follows:

- **1st option: no action**
  No action means that the European Union would discontinue its ongoing activities leaving consumer and public health policies without financial programme in the medium term (Health Programme: end 2008, Consumer Programme: end 2007). The rapporteur considers that for the European Parliament this option can be ruled out.

- **2nd option: maintain current situation of two separate programmes**
  This option means maintaining the status quo and envisaging a new health programme and a separate consumer programme once the ongoing instruments have expired. Individual programmes would have a stronger identity and visibility without using the "joint-benefits" described under option 3 (synergies, coherence, facilitated administrative procedures).

- **3rd option: merger of two existing programmes (beginning of 2007)**
  The Commission obviously prefers this option of a joint framework for two policies with a strong impact on citizens' day-to-day life. The programme would enter into force at the beginning of 2007 and would therefore fit in with the new Financial Perspective 2007-2013.

  Its main advantages are the use of possible synergies, simplified administrative and budgetary procedures and an enhanced coherence of EU policies (e.g. for the integration of health and consumer interests in other policy areas). However, the two policy areas are not only based on different Treaty Articles (Public Health: Article 152, Consumer Protection: 153) but are also of rather different nature and differ considerably concerning the Union's level of involvement.

- **4th option: new programme when current programmes expire**

  Option no 4 is similar to the previous one as it provides for a joint-programme. The main difference is the timing. The joint-programme would only enter into force when the current programmes have expired. Therefore, experiences gained under the current programme and, in particular, the results of the programmes' mid-term review could be taken into consideration in the definition of the joint-programme. However, its duration would not fit in with the timing of the new Financial Perspectives.

**3. FOOD SAFETY**

Food safety is closely linked with consumer protection and public health. A series of crises in the recent years - in particular BSE, food and mouth disease (FMD) and dioxin in chicken - proved that in an internal market with free movement of goods the food safety issue needs to be strengthened on European level. Moreover, the European Union is not only one of the world's biggest food exporters but also imports considerable quantities from third countries. Therefore, food safety in these third countries should also be part of the Union's agenda.

Currently there is no specific programme regarding food safety at European level. Food safety measures are funded under two different headings of the Financial Perspectives.

On the one hand, Chapter 1704 of the Community Budget covers various activities in the area of food safety, animal health, animal and plant health (e.g. animal disease eradication and monitoring...
programmes) and some 300 million Euro per year are allocated for these activities. A considerable part of these funds is used for animal disease eradication and monitoring activities. Under the new Financial Perspectives, these budget lines would fall under heading 2: Natural Resources.

On the other hand, the European Food Safety Authority (EFSA), and the European Centre for Disease Prevention and Control (ECDC) provide regulatory and executive assistance to the Commission, in particular in the food safety area. Under the new Financial Perspectives, both Agencies would be funded under heading 3: Citizenship.

**Food Safety under the new Financial Perspectives (2007-2013)**

As part of the so-called "Prodi package" the European Commission has announced it will submit a proposal for a **multi-annual programme for food safety** in 2005. In its Communication on the Financial Perspectives, the Commission indicated that the current means are not sufficient and underlined that "food chain disease eradication is also handicapped by funding difficulties." The main priority of this new Food Safety Programme should be enhanced combat against animal diseases in the European Union. The Commission has not yet adopted this proposal.

Moreover, in a recently submitted working document the Commission indicates to maintain the current instruments in the food policy area. The working document indicates to maintain the existing instruments (budget lines 1704, EFSA, ECDC) but does not mention a possible food safety programme.

The Commission seems to have changed its choice of future instruments in the food policy area. Instead of a new food safety programme future actions will still be funded under Heading 2 (former budget lines 1704: animal health and welfare, plant health). Some clarifications from the Commission on its future approach in the food policy area and their possible budgetary implications seem to be necessary.

**4. CONCLUSIONS**

1. Within the structure of the proposed Financial Perspective the new heading 3: Citizenship is by far the smallest category and accounts for only 2.3% of the total commitments (2007-2013). It covers some areas with particular relevance to European citizens such as Justice and Home Affairs, Consumer, Youth and Culture. However, other policy areas with similar relevance to citizens (e.g. Environment, Education, Social Policy, and Gender Equality) are grouped under other headings. Moreover, some of these policy areas have a central link to the Lisbon process (Heading 1a). In particular, Consumer Policy and Internal Market are closely linked but grouped under different headings.

2. The rapporteur calls on the Commission to submit the legislative proposals for the new Consumer Policy and Public Health programme without any delay, in order to enable the European Parliament and the Council to begin legislative work in time to allow for an entry into force of the programmes at the beginning of 2007.

---

3. In order to meet the challenges in the area of consumer and public health, the rapporteur underlines that the financial resources allocated to the new programme need to be substantially increased compared to the current situation. The impact of the previous enlargement round and the future enlargement to countries with deficits in the health and consumer field as well as the proposed widening of the scope of the programme need to be taken into account.

4. The rapporteur acknowledges efforts to simplify and rationalise the current situation regarding the programmes for public health and consumer policy. Further discussions in the legislative and budgetary procedure (non-obligatory spending) seem to be necessary regarding the proposed merger of the two policy areas (Consumer Policy and Public Health) into one single programme. Despite obvious advantages of a joint programme (synergies, coherence of EU policies, administration) the rather different nature of these policy areas and different degrees of the Union's level of involvement need to be considered.

5. The rapporteur considers food safety as one of the priority areas where the Community level brings substantial added value. He emphasises the importance of the European Union's role regarding improved food safety in order to ensure protection of the whole food chain. The rapporteur invites the Commission to clarify its future approach in the food policy area as well as their possible budgetary implications.

6. On the basis of the broad elements presented above, the rapporteur expects to draw from the debate:

- whether the structure of the proposed Financial Perspective is acceptable, in particular, with regard to the relatively small dimension of Heading 3 and to the obvious link of these policy areas to the Lisbon process.

- an orientation on the necessary financial framework for the new programme, in the absence of the relevant legislative Commission proposal.

- whether a merger of the current Consumer Policy Programme with the Public Health Programme into a joint instrument can be supported.
WORKING DOCUMENT NO 18: FREEDOM, SECURITY AND JUSTICE

1. BACKGROUND

Giving full content to the concept of European citizenship, mainly through the completion of an area of freedom, security and justice, and access to basic public goods, constitutes one of the three main priorities defined by the Commission since its first communication concerning the financial perspectives for 2007-2013. In line with this approach, the Commission then proposed a new Heading 3 on Citizenship in its proposals for the next financial framework of the Union (2007-2013) presented to Parliament and Council.

This new Heading 3 includes, according to the Commission, three different domains: the area of freedom, security and justice; access to basic goods and services; and fostering of European culture and diversity. The total amount for this new Heading 3, as proposed by the Commission would be 24,705 billion euros for the whole period (administrative expenses included)².

Millions of euros in 2004 prices

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>TOTAL</th>
</tr>
</thead>
</table>

In recent developments, the Commission also seems to be willing to include the Solidarity and Rapid Reaction Instrument (which replaces the current Solidarity Fund) within this Heading, but it is not clear whether the funds for this Instrument, which according to data available should amount to approximately 6 billion for the whole period (at 2004 prices - this calculation is made on the on the basis of 1 billion euros per year at constant prices³), are already included in these global figures.⁴

In addition, the Commission has not yet produced exact updated figures for each of the areas covered by Heading 3. In general, based on several documents provided by the Commission, one could envisage that, after deducting the 6 billion or so that would be destined to the Solidarity Fund, the rest would be divided between the three different areas along the following lines:

- Area of Freedom, Security and Justice (65%)
- Public health and consumer protection (20%)
- Fostering European culture and citizenship (15%)

On this basis, extrapolating from different Commission documents, one could roughly envisage a global amount of just above 12 billion euros (administrative expenses included) for the completion of the AFSJ for the period 2007-2013.

---

³ See fiche 33 of the Commission. The Council also considers an amount of 6 billion euros for the whole period (see CADREFIN 155)
2. THE AREA OF FREEDOM, SECURITY AND JUSTICE

The completion of the area of freedom, security and justice has been recognised as one of the top priorities of the Union by all the institutions. It is also one of the main priorities for the European citizens, according to Eurobarometer surveys. This priority would be confirmed, according to the Commission, by the fact that almost 2/3 of appropriations for the whole Heading 3 (presumably, Solidarity Fund excluded), would be destined to it. This would mean, according to the Commission, a substantial increase in funding for this area, almost tripling by the end of the period 2007-2013.

We should bear in mind that Freedom, Security and Justice is not only an area called to have a substantial development in the near future, but also an area in which the powers of the European Parliament will be strongly enhanced by the entry into force of the Constitution, namely in what concerns the suppression of the pillars structure and the generalisation of the legislative procedures, mainly co-decision (although with some specific requirements in some sectors). This enhanced role has already taken partially place, through the passage to co-decision in some of the matters covered by Title IV of the EC Treaty recently decided by the Council.¹

The fact that the Commission has not yet presented the necessary legislative proposals in this area (they are announced for the beginning of April) renders it impossible to make an accurate assessment of the measures in question and of the financial needs they imply. The current absence of concrete and precise figures adds to this difficulty.

The Commission argues that the generality of budget lines in this sector will be replaced by three new framework programmes, each covering a distinct area:

- the "Solidarity Programme", short name for "Solidarity and management of migration flows", which replaced the name "Freedom and solidarity in external borders management, asylum and immigration", as a consequence of the criticism of the European Parliament

- the "Security Programme", short name for "Security and Safeguarding Freedom Programme"

- the "Fundamental Rights and Justice Programme"

The "Solidarity Programme"

The Solidarity programme aims at expressing the principle of solidarity in managing people flows, by ensuring a fair share of the responsibilities and financial burden with those Member States that are in the front line in these matters.

Its main goal is to ensure an adequate level of control and surveillance of the external borders of the Union. For this, the Commission will propose a financial solidarity mechanism in order to support Member States that endure a lasting and heavy financial burden to ensure such control and surveillance in the interest of all the Union.

A key-element for the success of this component of the "Solidarity Programme" will of course be the creation of the European Agency for the Management of Operational Co-operation at the External Borders of the Member States of the European Union, already agreed by the Council. We need more information on how the financing of this Agency will be ensured in order to allow for its action and visibility, which will certainly become more important as the next enlargements will take place. In its communication of February 2004, the Commission suggests that this Agency could pave the way for the creation of a European Border Guard Corps able to support national authorities in the tasks of surveillance and control of the external borders of the Union. What is not yet clear is whether the management of existing large-scale information systems in this area, like EURODAC, SIS II or VIS, should also be brought under the scope of this agency or would require a new executive agency. This is in addition to the possibility that controls concerning other sectors, like food safety and customs be also brought more efficiently under the authority of this agency.

The Commission is also considering a follow-up to the transitional Schengen facility that would facilitate the application of the Schengen provisions on external borders to those countries that will join the Union in the coming years (subject to the conclusion of the accession treaties).

Concerning the implementation of a common immigration policy, the Commission considers vital to give a credible response to the multidimensional issue of the integration of third country nationals. Following increased participation of migrants in the activities developed by the ESF, the Commission foresees the development of a new form of solidarity in order to support the efforts of Member States in enabling third country nationals of different cultural, religious, linguistic and ethnic backgrounds to

---


<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>[n+5 and subs. Years]</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments</td>
<td>6,157</td>
<td>9,754</td>
<td>15,754</td>
<td>15,754</td>
<td>8,754</td>
<td>8,754</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2 IT system facilitating the recognition of digital prints used in relation with the Dublin Convention which establishes the country competent for applications for refugee status.

3 Schengen Information System II. The SIS enables national authorities to access reports concerning persons or objects for the purpose of border checks. The Phase II for SIS is due to start in 2007. No financial provisions have yet been presented for the period of the next Financial Perspectives. A proposal from the Commission is expected shortly.

4 VIS is a common system for exchange of visa data between Member States that could, for instance, be consulted at external borders; according to the proposal of the Commission (COM(2004)99), and using a common technical platform for SIS and VIS, the cost of VIS is estimated at (in million €, 2004 prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
</table>
settle and take active part in all aspects of European societies. Actions not covered by the ESF, like those aimed at participation in civic and political life, respect for diversity and civic citizenship, as well as measures addressed to asylum seekers, including networking, benchmarking and development of indicators in these areas, would also be covered by this mechanism.

The goal of the Commission is that around 20% of newly admitted third country nationals (an estimated flow of 1.5 million persons for year) be covered by this mechanism, through actions like orientation courses or languages courses. Moreover, the mechanism should also be able to contribute to the further integration of some 5% (10% indirectly) of already settled third country nationals (around 14.3 million persons), through actions aimed at access to services, self-empowerment in social life, creation of networks...

Finally, actions currently covered by the European Refugee Fund (renovated) should also be continued within the scope of this instrument1 2.

In addition, the Commission considers the possibility of developing an instrument for the return of illegally resident third-country nationals in the EU or persons migrating irregularly towards the EU. This would cover voluntary return, forced return and support for return of irregular migrants in countries of origin and transit countries.

The Commission foresees that around 70%-75% of the total appropriations for the AFSJ would be destined for the "Solidarity Programme", the bulk of which (around 80%) will be aimed at supporting actions at national level in order to develop the operational capacities of the most affected Member States. Consequently, the most substantial part of these funds will be implemented in "share-management" with Member States. The distribution will be done in accordance with objective criteria relevant to the policies concerned.

**The "Security Programme"**

The goal of this programme is to prevent and fight crime and terrorism.

This would be reached through strengthening operational co-operation in the fight against terrorism - including its consequences, organised crime and general crime, and supporting the provision of intelligence on a European scale.

From the information available, it seems that Commission wants to put the emphasis on the improvement of crime statistics and assessment at EU level, in order to allow for the development of an annual update on the crime situation throughout the EU. Co-operation and exchange amongst law enforcement authorities, including the collection and exchange of information and intelligence for law enforcement purposes.

---

1 According to the proposal already presented by the Commission, the funding of the so called European Refugee Fund II should be, until 2010, the following (in million €, 2004 prices)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Refugee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund II</td>
<td>42.271</td>
<td>44.358</td>
<td>49.542</td>
<td>60.000</td>
<td>150.000</td>
<td>150.000</td>
<td>150.000</td>
<td>604.080</td>
</tr>
</tbody>
</table>

2 We should also mention the specific programme concerning emergency measures in the event of mass influxes of refugees (present budgetary line 1803/05-10, in heading 3), which foresees an annual funding of 10 million euros programmed for 2007 to 2010.
enforcement purposes, should be strengthened, building on the activities of the current AGIS programme\(^1\).

The development of networking activities between authorities responsible for fields like corruption, the protection of information infrastructure and cybercrime (both at intra-European and international levels) will be another of the areas covered. The Network for Financial Intelligence (FIU-Net) will be included in the programme.

In terms of the prevention and fight against terrorism, an inventory of vulnerable infrastructures and a pooling of resources aimed at law enforcement-led civil protection should be carried out.

The Commission considers it a main goal in this area to increase the volume of exchanges of relevant information between national law enforcement authorities and EUROPOL by 75% in 2013. This presupposes that EUROPOL becomes a full EU body, as foreseen in the Constitution. The eventual financial consequences of this transformation are not yet known.

A common law enforcement culture and cross border police action will be developed, specifically through the use of the potentialities of CEPOL (currently intergovernmental, it should also become an EU body). The Commission is aiming at a target of 10% of the 2 million or more of police officers of the Union receiving training from CEPOL, which would indirectly reach 60% of those officers through the diffusion of common training models.

Support for victims and witnesses of terrorism and crime will also be provided under this programme, through means of training measures, exchanges of practices and support for NGOs and other organisations active in helping and protecting victims of crime or terrorism. This area is currently financed through a pilot-project. Direct compensation for victims of serious terrorism attacks does not fit in this area, but could eventually be financed through the renewed Solidarity Instrument.

According to the Commission, the majority of the funds foreseen for this programme will be provided for capacity building at national, regional and local levels, specifically support for training and equipment of police, customs and judicial authorities, and other policy mechanisms like joint investigation teams, witness protection programmes or joint commissariats and police and customs co-operation centres to facilitate transnational investigations.

\(^1\) Law enforcement and prevention and the fight against organised crime, foreseen to last until the end of 2007 (with 16,985 millions of euros foreseen for 2007, at current prices)
**The "Fundamental Rights and Justice Programme"**

This programme will seek to **promote judicial co-operation, easy access to justice and enhanced legal certainty**, as well as to **promote awareness of Fundamental Rights**.

The Commission intends to implement and monitor the growing *acquis* in this area and facilitate mutual knowledge and confidence in legal systems, specifically through information to the public in general and to legal practitioners. The European network in civil and commercial matters will continue to play an important role in this area.

Training of judges and prosecutors will be particularly targeted, including programmes for exchanges between judicial authorities, as a component of ensuring mutual recognition of judicial judgements and decisions in the EU.

Co-ordination and co-operation between investigators and prosecutors dealing with serious cross-border crime will be reinforced. EU action should also be focused on the exchange of information concerning decisions on criminal matters, such as previous convictions, aiming at the creation of a European register on convictions and disqualifications.

Actions to support the fight against violence in all its forms will continue, focusing on preventive measures and support for victims and groups at risk (children, young people and women) 1.

The programme will, according to the Commission, also support fight against drug abuse and trafficking, and in particular the implementation of the EU strategy on drugs, based on five main elements: reducing demand, reducing supply and combating illicit trafficking, international co-operation and co-ordination on national and EU level, and information, research and evaluation.

The promotion of awareness of Fundamental Rights should accompany the integration of the Charter, with a particular focus on democratic participation in the run-up to the European elections in 2009. It will also include, according to the Commission, the fight against racism and xenophobia and the strengthening of civil society in those fields.

Actions foreseen within this programme will largely depend on strengthening the capacities of Eurojust, as foreseen in the Constitution. Moreover, the Commission will propose that the existing Observatory on Racism and Xenophobia become a wider Agency on Fundamental Rights.

### 3. THE STATE OF THE DEBATE IN THE COUNCIL

According to the report presented by the Dutch Presidency at the end of its mandate, the majority of the Member States seems favourable to the approach of the Commission in Heading 3, mainly concerning the choice of completion of the area of freedom, security and justice as the main priority. Indeed some delegations seem to support even a further concentration of means in this specific sector, or a ring-fencing of appropriations through a separate sub-heading.

Concerning the level of expenses the building blocks vary between 24 to 26 billion € (18-20 billion excluding the Solidarity Instrument) as the most "generous", to 16 to 19 billion (10-13 billion excluding the Solidarity Instrument) as the most restrictive. Any of the "building blocks" would deny the need for

---

1 At present, the programme DAPHNE II (Measures for combating violence against children, adolescents and women) is foreseen to last until 2008, with an annual allocation of 10,5 million euros in current prices for 2007 and 2008.
a budget increase in the field of freedom, security and justice. The protection of external borders seems to be the top priority for most Member States, some even supporting the creation of a separate financial instrument for that purpose.

Several Member States doubt the pertinence of including the Solidarity Instrument in this area. Some defend the creation of a separate financial instrument.

4. EVALUATION

European added-value

Freedom, security and justice is an area in which the added value of the actions proposed, at least along general lines, is almost self-evident: guaranteeing the security of our common external borders, ensuring efficient mechanisms for protecting citizens against terrorism and trans-border crime, helping Member States deal with special migratory fluxes, ensuring a smooth and efficient access to justice for all citizens in every country of the Union. These are goals that one can hardly deny having a transnational nature and demanding a common European response, even if largely through measures supporting Members States actions. The awareness of the necessity for the development of common action in this area increased dramatically with enlargement and will certainly be even more accentuated with future enlargements.

Evaluation of the announced proposals

The effort to bring the current multitude of budget lines concerning actions, programmes, instruments, bodies existing in the area of Justice and Home Affairs into three framework programmes is a positive step. As the Commission puts it, the simplification and rationalisation of all those instruments will contribute to a maximum use of the funding and streamline activities. Transparency will be increased, as beneficiaries from the programmes will know immediately the overall policy goal to which their participation will contribute.

The Commission intends to ensure that functional and operational rules will be similar in all the three programmes, so the management and implementation mechanisms will be common as far as possible. This would also be a very positive step, facilitating the participation of the actors and co-ordination with national structures and thus improving the efficiency of the programmes. It would also allow for adequate monitoring and evaluation in order to draw global policy lessons. The external bodies should also form a coherent whole within the logic of all the three programmes.

The fact that each programme covers a large policy area allows for greater flexibility in the allocation of priorities between different actions.

In principle, the intention that the bulk of the funds be allocated in "shared management" with Member States also seems a positive development, in so far as the necessary steps are taken to ensure an adequate control environment at national and European level¹.

However, the absence of concrete proposals, specifically concerning the way the Commission will deal with the integration of ongoing activities into the new general structure of the programmes, as well as

¹ The remarks made by the Court of Auditors in its Annual Report 2003 on the management of the European Refugee Fund (which is already largely managed by Member States), namely the critics concerning the "weak control environment in the Member States", fully justify this precautionary consideration.
the void concerning the precise financial means deemed necessary for the activities of the programmes, renders a definitive evaluation of the proposals on this sector impossible.

5. CONCLUSIONS

1. The first aspect that our committee should stress is that it considers it very difficult to propose that Parliament engages its responsibility concerning the finances of the Union in the absence of the complete proposals on this specific sector. These proposals are now announced for the beginning of April, hopefully in time to allow for its in-depth scrutiny within the timetable of this committee.

2. While reserving its final position for after the presentation of the specific proposals, Parliament can already mark its support by considering the completion of the ALSJ as a main political objective that justifies using almost 2/3 of the funding of Heading 3, excluding the Solidarity Fund.

3. A different approach is taken to the question of knowing if the funds proposed are in fact enough to support the necessary actions to turn this political priority into reality. It is very difficult to answer this question in view of the poor information available. But considering namely the enormous effort in terms of management of external borders that the enlargement will require, common sense leads to the conclusion that the funds foreseen to ALSJ are not sufficient to match the announced ambitions of the Union in this area, and should be increased.

4. In any case, it seems particularly premature to ask at this stage for the assignment of 75% of the funds available for AFSJ to the "Solidarity Programme", the content of which seems rather concentrated on the protection of external borders Would it be more appropriate for the Parliament to press for more financial capacity for the two programmes "Justice" and "Security", which concern two of its traditional priorities (the promotion of fundamental rights and the reinforcement of the security of citizens, especially against terrorism)? On the other hand, we need to know more about how the Commission foresees the development of the Refugee Fund, which had in its origin an initiative of the European Parliament.

5. If the effort to simplify and rationalise the current situation through three framework programmes is to be welcomed, it is however necessary to have a clear idea of what consequences this approach will have for political and budgetary control by the European Parliament (this could be particularly the case regarding the foreseen greater flexibility in the allocation of priorities between the different actions). The widening of the notion of "shared management" with Member States in this area also needs to be accompanied by adequate control mechanisms.

6. The nature and the exact funding of the new Solidarity and Rapid Reaction Instrument constitutes another uncertainty. We should bear in mind that until now the Solidarity Fund has been funded outside the Financial Perspectives. Its integration, under the form of a modified instrument, in the Financial Perspectives should in principle be welcomed, but it calls for a clarification from the Commission concerning its aims, the volume and the appropriateness of its funding, the procedure foreseen for its mobilisation and other important elements. In view of the present financial constraints, the keeping of the Solidarity Fund outside the ceilings could be envisaged as an important option.
7. Questions may also be asked about information on how the future agencies and bodies will be developed and how the necessary funds for the accomplishment of its missions will be ensured. Reinforcing the capacities of EUROJUST or turning EUROPOL and CEPOL into full EU funded bodies is welcomed, but it demands the adequate means to guarantee its functioning. How can this be guaranteed? We also need more information on how the funding of the **European Agency for the Management of Co-operation at the External Borders**, which role will certainly become even more important after the next enlargement, will be ensured. Finally, we also need to ensure that no overlapping will occur between all the bodies and agencies foreseen in the Freedom, Security and Justice area. Furthermore, the question should be raised about the risk of an increased slipping of community influence towards a more intergovernmental way of managing these policies.

8. It is not yet clear how the Commission intends to ensure the adequate financing of instruments like Eurodac, SIS II or VIS. These are autonomous instruments, created by specific legal acts that foresee no time limit for their action and need to be continuously financed, independently of the development of the programmes foreseen by the Commission. Are they to be integrated in any of these programmes, or should they constitute a sector apart in the area of Freedom, Security and Justice funding?

9. All the same, it is rather surprising that the Commission never mentions the creation of a European Public Prosecutor, responsible for tackling fraud against the Community budget, amongst the future developments in this area, although the Constitution gives a legal basis for it. Is it not a priority for the Commission or is there something implicit in its considerations on the future development of Eurojust? Should it be considered under Heading 3, or should it rather be considered as an independent body that would more appropriately find its place under Heading 5?

10. Similarly, we have to wait for the specific proposals to have a clear perspective of how it is not clear where the justice and police component of the global strategy of the fight against drugs traffic and addiction, including the activities of the European Monitoring Centre for Drugs Addiction, will fit in the new "Fundamental Rights and Justice Programme".

11. Finally, we should consider the global question of whether the structure of the proposed Financial Perspective is acceptable, specifically, with regard to heading 3: Citizenship. Heading 3 is by far the smallest category and accounts for only 2.3% of the total commitments (2007-2013). It covers some areas with undeniable relevance to European citizens, such as Justice and Home Affairs, Consumer, Youth and Culture. However, other policy areas with similar relevance to citizens (e.g. environment, education, and social policy, gender equality) are grouped under other headings.

12. Is this context, is Heading 3 justified? What could be the alternative? Your rapporteur considers that in spite of its modest relevance in financial terms compared to other headings, Heading 3 makes incontestable sense by its political content and should be kept as such.

13. On the other hand, if the answer concerning the existence of Heading 3 is positive, should consideration be given to the possibility of establishing a specific sub-heading for AFSJ, the completion of which is one of the top political priorities for the Union during the coming years? The rapporteur feels this could be important to ensure the earmarking of the funds necessary to achieve such an important political priority.
14. These are some of the questions that your rapporteur would like to leave for the consideration of the Temporary Committee while we wait for the specific proposals and the concrete figures of the Commission in this important area.
In the context of the enlargement process of the European Union, the European Parliament plays a decisive political but also prominent legislative and budgetary role. This is illustrated by the fact that the European Parliament shall give its assent by an absolute majority of its Members to every accession of a new Member State (Art. 49 TEU). The vote on the assent procedure for Bulgaria and Romania (Van Orden and Moscovici reports) is foreseen at the April I 2005 plenary session. As an arm of the budgetary authority, EP has also to agree on the financial aspects.

1. Background

In February 2004, the Commission adopted an internal communication on the financial envelope in view of the negotiations for the accession of Bulgaria and Romania. The Parliament was informed about this communication in a letter from Commissioner Verheugen, dated 4 March 2004, which announced that “a common position in the fields of agriculture, regional policy and financial and budgetary provisions” would be submitted at the spring (2004) summit. Furthermore, a close cooperation was suggested regarding the role of the European Parliament as an arm of the budgetary authority.

"Preparation for a further successful enlargement of the EU to 27 Member States relies of course heavily on the support of the European Parliament, particularly where financial issues are concerned given the European Parliament's role as one arm of the EU's Budgetary Authority. I look forward therefore to a close co-operation with you on these issues and am confident that the supportive role the European Parliament - and your Committees in particular - have played in the enlargement process so far will continue."

In March 2004 the Coreper endorsed the proposals of the Commission on the financial package for Bulgaria and Romania which states the following:

"the Council recalls that discussions or agreement on future policy reforms, or the new financial perspective, shall neither impede the pursuit and conclusion of accession negotiations with Bulgaria and Romania, nor be prejudged by the outcome of these negotiations"

This draft proposal comprises solely the expenses for agriculture, structural policies, internal policies and administration for the years 2007-2009. The commitment appropriations correspond to the Commission proposal and amount to €15.396 billion, whereas the payment appropriations are €9.056 billion. Those provisions will be included in the Accession Treaty, to be signed on 26 April 2005.

The current Financial Perspective will normally expire on 31 December 2006. As the Commission submitted a proposal for a new Financial Perspective starting from 1 January 2007, and the negotiations between the Member States to determine a common position are under process, it can be assumed that, a continuity of the Financial Perspective will be ensured. In case of no agreement, the current Financial Perspective will be prolonged according to point 26 of the IIA of 6 May 1999 and apply at the date of accession of Romania and Bulgaria on 1 January 2007.

The Commission proposal for the new Financial Perspective is based on a scenario for 27 Member States, while all comparisons with 2006 are based on EU-25 and although the agriculture ceiling is fixed for only 25 Member States. The Commission proposal incorporates the financial package agreed for the

1 SEC(2004)160 final
two acceding countries into the overall amount on the basis of the assumption that Bulgaria and Romania will be full members of the EU as from 2007.

According to the Commission, part of the commitment appropriations related to the accession of Bulgaria and Romania (as indicated in shaded areas of the fiche 43 rev), will be included in the Treaties of Accession, while the remaining appropriations not ringfenced, included in the Commission proposal are indicative and not visible. These “earmarked appropriations negotiated in the respective Accession conferences” are foreseen for a duration of 3 years (2007-2009).

The Council’s, in its Common Position\(^1\) confirms that “the ringfenced amounts foreseen for structural actions, rural development, nuclear safety (decommissioning of the Kozloduy nuclear power plant) and the transmission facility, represent fixed amounts.”

2. **Link with the Financial Perspective**

Before taking its final decision on the accession Treaty, the rapporteur considers that the EP should take a decision on the global amounts of the accession of Bulgaria and Romania, as this cost will be part of the financial framework 2007-2013. The amounts for EU-2 accession have two components:

a) the figures entered in the Accession Treaty (table 1)

b) the estimation for Bulgaria and Romania for 2007-2013 (table 2)

---

\(^1\) ELARG39, 7304/04 of 18 March 2004
Table 1: Figures to be entered in the Treaty: Commitment appropriations related to the accession of Bulgaria and Romania

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Total 2007-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. AGRICULTURE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. A (a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. B (b)</td>
<td>760</td>
<td>1.014</td>
<td>1.267</td>
<td>3.041</td>
</tr>
<tr>
<td>2. STRUCTURAL ACTIONS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structural Funds</td>
<td>1.938</td>
<td>2.731</td>
<td>3.605</td>
<td>8.274</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>777</td>
<td>1.570</td>
<td>2.444</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.161</td>
<td>1.161</td>
<td>1.161</td>
<td></td>
</tr>
<tr>
<td>3. INTERNAL POLICIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institution building (d)</td>
<td>112</td>
<td>97</td>
<td>83</td>
<td>292</td>
</tr>
<tr>
<td>Nuclear safety (d)</td>
<td></td>
<td>42</td>
<td>27</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>70</td>
<td>70</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>8. COMPENSATION (e)</td>
<td>419</td>
<td>191</td>
<td>189</td>
<td>799</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3.229</td>
<td>4.033</td>
<td>5.144</td>
<td>12.406</td>
</tr>
</tbody>
</table>

(a) - Commitments for agricultural direct payments and market expenditure represent estimates based on the current acquis, the provisions negotiated in chapter 7 of the accession negotiations and the market forecasts available at the time of the Commission proposal in February 2004.

(b) The envelope for rural development (EAGGF Guarantee part) is earmarked. It is to be phased in over three years. In its proposal the Commission has assumed that the amount would remain stable for the period 2010-2013.

(c) - The envelope for structural actions (including EAGGF Guidance and IFOP) is negotiated for 2007-2009. It is to be phased-in over three years. In its proposal the Commission has assumed allocations 2010-2013 to be equivalent to 4.0% of GDP (as provided in fiche 25 to the Council ad-hoc group)

(d) - Amounts for institution building and nuclear safety (Kozloduy) have been agreed in the respective Accession Conferences

(e) - The amounts for cash flow and Schengen facilities have been agreed in the respective accession conferences

Table 2: Estimated overall amount for Bulgaria and Romania (including agriculture) in the Financial Perspective 2007-2013

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1.141</td>
<td>1.990</td>
<td>2.342</td>
<td>2.437</td>
<td>2.528</td>
<td>2.726</td>
<td>2.915</td>
<td>16.079</td>
</tr>
<tr>
<td>Structural operations</td>
<td>1.938</td>
<td>2.731</td>
<td>3.605</td>
<td>3.618</td>
<td>3.630</td>
<td>3.688</td>
<td>3.748</td>
<td>22.957</td>
</tr>
<tr>
<td>Internal Policies</td>
<td>444</td>
<td>434</td>
<td>426</td>
<td>481</td>
<td>537</td>
<td>592</td>
<td>648</td>
<td>3.562</td>
</tr>
<tr>
<td>Administration</td>
<td>96</td>
<td>125</td>
<td>125</td>
<td>133</td>
<td>140</td>
<td>147</td>
<td>154</td>
<td>919</td>
</tr>
<tr>
<td>Compensations</td>
<td>419</td>
<td>191</td>
<td>189</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The rapporteur considers that the impact of "enlargement-related amounts" on the next Financial Perspective raises a number of institutional and budgetary problems which are developed hereafter:

- problems of competences between EP and Council in their respective powers as part of the budgetary authority
- problems of classification regarding the nature of expenditure (CE and NCE)
- link between the enlargement and the overall negotiations on FP.
3. Analysis

3.1 Competences

The unilateral decision of the Council on the financial package for Bulgaria and Romania clearly bypasses the powers of Parliament as part of the budgetary authority.

EP could accept this change of classification only if Council accepts a proper consultation on the overall enlargement cost for Bulgaria and Romania enlargement.

The rapporteur underlines that the European Parliament is certainly not ready to see its rights infringed. He is therefore determined to defend EP's budgetary powers as granted by the Treaty and by the IIA of 6 May 1999, in the enlargement process and more precisely in the context of the forthcoming assent procedure.

In order to define this position, the rapporteur wishes to recall the following:

- by agreeing to the *acquis*, the accession countries have also accepted the budgetary procedure set out in article 272 of the EU Treaty, where the European Parliament has definitively the last word on all non-compulsory expenditure.
- Council should be aware of the fact that the attachment of unilaterally decided figures to the accession Treaty infringes EP's budgetary powers and contradicts the classification agreed in the IIA of 6 May 1999.
- before giving its assent to the next enlargement, EP should agree to the financial package, otherwise EP would endanger the institutional balance between the two arms of the budgetary authority and weaken its future position.

Giving more visibility to accession-related appropriations for Bulgaria and Romania is not only a rule of transparency with respect to taxpayers and National Parliaments that have to ratify the Treaty, but it will be a necessity in case there will be no financial framework agreed by the budgetary authority beyond 2006.

The rapporteur points out that, in case of no agreement, article 26 of the IIA\(^1\) provides for the continuation of the current FP in case of no agreement by the budgetary authority:

26. **Before 1 July 2005, the Commission will present proposals for a new medium-term financial perspective.**

   *Should the two arms of the budgetary authority fail to agree on a new financial perspective, and unless the existing financial perspective is expressly denounced by one of the parties to this Agreement, the ceilings for the last year covered by the existing financial perspective will be adjusted in accordance with paragraph 15 by applying to these amounts the average rate of increase observed over the preceding period, excluding any adjustments made to take account of enlargement of the Union. This rate of increase may not, however, exceed the rate of growth of Community GNP for the year concerned.*

Under such a scenario, only the amounts entered in the Treaty will be guaranteed, as compulsory expenditure all the others (i.e. the amounts for internal policies and administration) will be negotiated in the framework of the Maximum Rate of increase of non-compulsory expenditure and annual procedure.

3.2 Classification

\(^{1}\) OJ C172, 18.6.1999, p.1
If the same procedure as the one for the last enlargement is to be followed, the Accession Treaty for Bulgaria and Romania will contain an annex with financial provisions as indicated in table a).
According to current agreement in the IIA of 5 May 1999, all these appropriations are non-compulsory expenditure (NCE) on which EP would have the final say. Once included in the Treaty as primary law, they become compulsory expenditure (CE) for three years (2007-2009).

Concerning the amounts for Agriculture (compulsory expenditure current heading 1a: market expenditure and direct payments), no amount will not be included in the Treaty, but they will represent part of the cost of the enlargement. Agricultural spending for Bulgaria and Romania would come on top of the "Brussels ceiling" and will be considered as "guaranteed" amounts for Bulgaria and Romania.

Should this hypothesis be confirmed, the “ringfenced" appropriations of fiche N° 43rev implies that non compulsory expenditure on which EP would have the final say, would become compulsory expenditure under the Accession Treaty, only through a Council decision;

3.3 Impact on the overall negotiations

The rapporteur believes that there is an automatic link between the definition of the needs for Bulgaria and Romania after 2007 and the negotiations on the next Financial Perspective for the period commencing in 2007. The Commission proposal for the FP 2007-2013 for an EU of 27 MS, based on the assumption that Bulgaria and Romania "if they are ready" will accede to the EU in January 2007, creates confusion because:

- it changes the nature of expenditure by introducing NCE into the Treaty; they become "fixed" expenditure and as such assimilated to CE;
- it makes the cost of enlargement totally not transparent;
- it bypasses the budgetary powers of Parliament, which should agree on the financial package for enlargement with regard to the provisions of the Treaty and the IIA;
- it creates a positive discrimination in favour of Bulgaria and Romania through a "ringfenced" part of the Financial Perspective by securing for these two countries funding (until 2009) that the other 25 Member States do not benefit from since the financial framework is still under negotiation.

4. Possible options

The rapporteur considers important to respect the institutional balance.

In line with the Commission proposal\(^1\) and with article 8 of the Council document\(^2\) which states that "the Council will keep the European Parliament duly informed on the budgetary aspects in view of the conclusions of accession negotiations with Bulgaria and Romania" the rapporteur considers that before the European Parliament votes on the assent procedure

- a decision by the budgetary authority on the financial package for enlargement should be included in the Treaty

\(^1\) SEC(2004) 160 final
\(^2\) ENLARG 39 - 7304/04

PE 353.270v04-00  166/289  R\353270EN.doc
- the understanding that in the negotiations on the Financial Perspective beyond 2006, a guarantee for a better transparency on the amounts dedicated to enlargement (EU 25 + EU 2) should be ensured

To conclude, if the Temporary committee shares the Rapporteur's views, it could ask the Committee on Budgets to take the necessary steps with Council to organise a specific triilogue in view of an agreement on the budgetary cost of the next enlargement before EP gives its assent procedure.
INTRODUCTION

Scientific research, technological development and innovation are at the heart of the knowledge-based economy, a key factor for growth, the competitiveness of companies and employment. In that context the Commission has already presented a number of policy documents including the Communication on Industrial Policy in an Enlarged Europe, the Green Paper on Entrepreneurship, the Communication on Innovation Policy, "Investing in Research: an Action Plan for Europe" and "Science and technology, the key to Europe's future - Guidelines for future European Union policy to support research". In addition, the Commission has also outlined its priorities as regards the European Space Policy in its White Paper on "Space: a new European frontier for an expanding Union: An action plan for implementing the European Space policy", (which will become a Community competence once the Constitutional treaty is ratified).

Recently the Commission has presented two communications on Strategic Objectives 2005-2009 and the re-launching of the Lisbon strategy for growth and employment where it outlined its priorities concerning the industrial policy, employment and research.

I. THE EU INDUSTRIAL POLICY

The major objective of the future EU Industrial policy is "Prosperity". In order to achieve it, the Commission is proposing to:

- re-launch the Lisbon strategy for growth and jobs
- reform the Growth and Stability Pact to support stability in the euro-zone
- set up a new generation of research programmes to make a quantum leap in Europe’s research output
- launch a new programme to boost competitiveness and entrepreneurship in European companies (CIP)
- adopt a package of Better Regulation measures to ensure high-quality, simpler EU law, and less red tape

At present the main support for the EU industrial policy comes from the funds of the budget for policy area 02 - Enterprise (which is established and adjusted on an annual basis depending on the GNI levels and price fluctuation) and the 'Multiannual Programme for enterprise and entrepreneurship, and in particular SMEs' (MAP), established for 2001-2005 with one year extension to the end of 2006 (in order to catch up with the period for new Financial perspective).

1 COM(2002)714 final
2 COM(2003)27 final
3 COM(2003)112 final
4 COM(2003)226 final
5 COM(2004)353 final
7 Art III - 254 and Art I - 14.3 the of Constitutional Treaty
10 Council Decision (2000/819 EC)
11 COM (2004)781
Table 1- Policy area 02: annual budgets (without research activities) in 2004 prices in m Euro

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>102,740</td>
<td>103,150</td>
<td>127,477</td>
<td>136,200</td>
<td>159,400</td>
<td>150,000</td>
</tr>
</tbody>
</table>

The initial envelope of MAP for 2001-2005 was 450 m. With the prolongation of the programme to the end of 2006, the total envelope stands at 531.5 m Euro for 2001-2006. The European Parliament has subsequently increased the budget by adding 5 m in 2003, 33 m in 2004 and 49 m in 2005 making it a total of 618.5 m Euro (without a possible increase for 2006).

Table 2: Budget for programme MAP in 2004 prices in m Euro

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>100,000</td>
<td>98,600</td>
<td>102,000</td>
<td>123,500</td>
<td>112,080</td>
<td>81,500</td>
</tr>
</tbody>
</table>

The Financial Instruments of MAP are by far the most important MAP Pillar in terms of volume of appropriations (72% of the total cumulative budget by the end of 2003). The SMEs Guarantee Facility (SMEG) is the largest of the Financial Instruments representing 90% of the 2003 Financial Instruments' budget, followed by the Start Up scheme of the European Technology Facility (ETF-SU) which was less than 10%.

The Seed Capital Action (SCA) has been of limited use so far because of the market downturn and resulting lack of recruitment in the Venture Capital industry. The Joint European Venture (JEV) instrument, since the beginning, has been considered as too bureaucratic and has generated only poor demand, leading to low efficiency and effectiveness. JEV was closed on 29 December 2004¹¹.

SMEG and ETF-SU have made a major contribution to improving the financial environment for business as instruments of a public policy supporting access to finance for SMEs. Up to date the resources from MAP via its financial instrument assisted some 166 000 SMEs out of about 22 million SMEs in the EU (0.81%)

MAP Policy actions demonstrate added value (exchange of best practice, guidelines, awareness-raising, development of indicators and tools, etc.), by adding a European dimension to national SME policies. The RAL for MAP as of 10/12/04 was 268.1 m Euro and for the whole policy area (02) Enterprise the RAL was 282.0 m Euro.

New Programme for 2007-1013 (to be published on 6 April 2005)

The Competitiveness and Innovation framework Programme (CIP), announced by the Commission on 14 July 2004, is meant to be an instrument to support competitiveness and innovation in the single market. The Programme will bring together the following Community programmes:

- the multiannual programme for Enterprise and Entrepreneurship, in particular SMEs (MAP),
- the programme on Intelligent Energy for Europe,
- certain Innovation Actions that will be taken out of the RTD Framework Programme,
- activities on the promotion and demonstration of environmental technologies currently covered by the Life programme, and
- the ICT-focused programmes Modinis, eContent, and eTEN

Recent data shows a clear correlation between innovation activity and GDP growth. Yet, inside the EU, the Innovation index¹² shows that the EU-10 are all behind average in terms of innovation. Overall,

---

Europe lags behind the US in 10 out of 11 innovation indicators, including early stage venture capital, and business research and development. Furthermore, Europe does not have sufficient capacity to transform knowledge into products and services, in particular commercial ones, making an economic success of them. European companies apply for 170 patents each year per million inhabitants, compared with 400 for American companies. And the Union’s commercial deficit for high-tech products is approximately €23 billion per year.

II. RESEARCH ACTIVITIES

The European Research Area and the “3% objective”

The long-term competitiveness of companies and employment they can provide depend to a great extent on RTD, which is also essential for the support of other policies such as consumer protection or the protection of the environment.

For that reason, the Commission has made the strengthening of European research a major objective in its Communication on the future financial framework of the Union, proposing to increase the European Union’s research budget: taking all activities together, the budget should be doubled\(^{13}\). At 2% of the European Union's GNI, the European research effort today lags behind the efforts of the United States (2.8%) and Japan (more than 3%)\(^{14}\).

Public R&D expenditure in the EU-25 in 2003 was at 0.81% of GDP (0.76% from national sources and 0.05% from the EU). In order to approach the target of 1% by 2010, the share of Community support in the overall public support to R&D is expected to increase to 11% of public R&D expenditure in 2013 (from 5.7% today), bringing Member States’ public investment in response to the Barcelona objective to a level of 0.87% and the EU proposed funding to 0.09%.

\(^{13}\) COM (2004) 101 fin
\(^{14}\) Government Expenditure on R&D
### Table: R&D intensities and targets in member States and beyond (source: European Commission DG Research/M/ 24.09.04)

<table>
<thead>
<tr>
<th>Country</th>
<th>R&amp;D intensity (GERD* as % of GDP) [1]</th>
<th>Member State Targets (GERD as % of GDP)</th>
<th>Private sector funding [3]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>2.17 1.54</td>
<td>3% (2010)</td>
<td>2% (2010)</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1.30 0.68</td>
<td>2% (2010)</td>
<td>1% (2010)</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.52 1.39</td>
<td>3% (2010)</td>
<td>2% (2010)</td>
</tr>
<tr>
<td>Germany</td>
<td>2.50 1.63</td>
<td>3% (2010)</td>
<td>2% (2010)</td>
</tr>
<tr>
<td>Estonia</td>
<td>0.81 0.23</td>
<td>1.1% (2004) 1.5% (2006)</td>
<td>-</td>
</tr>
<tr>
<td>Greece</td>
<td>0.64 0.16</td>
<td>1.5% (2010)</td>
<td>0.6% (2010)</td>
</tr>
<tr>
<td>Spain</td>
<td>1.03 0.51</td>
<td>1-1.5% (2007)</td>
<td>-</td>
</tr>
<tr>
<td>France</td>
<td>2.20 1.15</td>
<td>3% (2010)</td>
<td>2% (2010)</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.17 0.80</td>
<td>% (2010)</td>
<td>% (2010)</td>
</tr>
<tr>
<td>Italy</td>
<td>1.07 0.46</td>
<td>1.75% (2006)</td>
<td>0.75% (2006)</td>
</tr>
<tr>
<td>Cyprus</td>
<td>0.27 0.05</td>
<td>0.5% (2006)</td>
<td>-</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.44 0.13</td>
<td>2% (2010)</td>
<td>1% (2010)</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.69 -</td>
<td>1.5% (2006)</td>
<td>0.8% (2006)</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1.71 1.58</td>
<td>1% 2010) [4]</td>
<td>-</td>
</tr>
<tr>
<td>Hungary</td>
<td>1.01 0.30</td>
<td>2% (2010)</td>
<td>1% (2010)</td>
</tr>
<tr>
<td>Malta</td>
<td>[5] 0.12</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.94 0.97</td>
<td>Close to EU max (2010)</td>
<td>&gt; EU average (2005)</td>
</tr>
<tr>
<td>Austria</td>
<td>1.94 0.76</td>
<td>2.5% (2006) 3% (2010)</td>
<td>-</td>
</tr>
<tr>
<td>Poland</td>
<td>0.65 0.20</td>
<td>1.5% (2006)</td>
<td>0.9% (2006)</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.85 0.27</td>
<td>% (2006) 1.6% (2010)</td>
<td>-</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1.57 0.86</td>
<td>3% (2010)</td>
<td>2% (2010)</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0.65 0.37</td>
<td>1.8% (2010)</td>
<td>1.2% (2010)</td>
</tr>
<tr>
<td>Finland</td>
<td>3.49 [6] 2.35</td>
<td>&gt; 3.5% from 2002 onwards</td>
<td>-</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.27 3.07</td>
<td>Maintain current level</td>
<td>-</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.86 1.24</td>
<td>2.5% (2014)</td>
<td>1.7% (2014)</td>
</tr>
<tr>
<td>EU-15</td>
<td>1.99 1.11</td>
<td>3% (2010)</td>
<td>2% (2010)</td>
</tr>
<tr>
<td>EU-25</td>
<td>1.94 1.08</td>
<td>3% (2010)</td>
<td>2% (2010)</td>
</tr>
<tr>
<td>Iceland</td>
<td>- -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Norway</td>
<td>1.60 (1.67) 0.82(0.81)</td>
<td>OECD average (2005)</td>
<td>60% of total R&amp;D funding (2005)</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2.64 1.82</td>
<td>approx. 2.8 (2007)</td>
<td>approx. 1.8 (2007)</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0.57 0.12</td>
<td>Accelerate current rate of improvement</td>
<td>-</td>
</tr>
<tr>
<td>Romania</td>
<td>0.39 0.24</td>
<td>1% (2007)</td>
<td>0.5% (2007)</td>
</tr>
<tr>
<td>Turkey</td>
<td>- -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>United States</td>
<td>2.8 -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Japan</td>
<td>3.1 -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Israel</td>
<td>4.4 3.5</td>
<td>Maintain current levels</td>
<td>-</td>
</tr>
</tbody>
</table>

**Notes:**

4. Only accounts for R&D government funding
5. Indicative BERD. BERD and GERD figures not yet available from National Statistics Office
6. According to Statistic Finland total R&D intensity was 3.46 % in 2002. Estimate for 2003 is 3.43 %
### TABLE 2: R&D investment Snapshot 2003 - 2004 (source: ibid)

<table>
<thead>
<tr>
<th>Country</th>
<th>Planned public funding</th>
<th>Anticipated private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct funding 2003</td>
<td>Fiscal and other indirect measures 2003</td>
</tr>
<tr>
<td></td>
<td>EUR million</td>
<td>EUR million</td>
</tr>
<tr>
<td>Belgium</td>
<td>1649.6</td>
<td>1740</td>
</tr>
<tr>
<td>Czech Republic #</td>
<td>437.1</td>
<td>480.3</td>
</tr>
<tr>
<td>Denmark #</td>
<td>1405</td>
<td>1391.6</td>
</tr>
<tr>
<td>Germany</td>
<td>7101</td>
<td>16812</td>
</tr>
<tr>
<td>Estonia</td>
<td>39.4</td>
<td>47.1</td>
</tr>
<tr>
<td>Greece</td>
<td>455</td>
<td>492</td>
</tr>
<tr>
<td>Spain</td>
<td>4001</td>
<td>4402.3</td>
</tr>
<tr>
<td>France*</td>
<td>12327</td>
<td>12668</td>
</tr>
<tr>
<td>Ireland</td>
<td>450.8</td>
<td>509</td>
</tr>
<tr>
<td>Italy</td>
<td>6925</td>
<td>7925</td>
</tr>
<tr>
<td>Cyprus</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>Latvia</td>
<td>17.7</td>
<td>21.9</td>
</tr>
<tr>
<td>Lithuania</td>
<td>64.7</td>
<td>69.4</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>61</td>
<td>71.2</td>
</tr>
<tr>
<td>Hungary</td>
<td>407</td>
<td>440</td>
</tr>
<tr>
<td>Malta</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3188.5</td>
<td>3228.2</td>
</tr>
<tr>
<td>Austria</td>
<td>1768</td>
<td>2049</td>
</tr>
<tr>
<td>Poland #</td>
<td>628.2</td>
<td>647.6</td>
</tr>
<tr>
<td>Portugal</td>
<td>847</td>
<td>896.5</td>
</tr>
<tr>
<td>Slovenia</td>
<td>144.9</td>
<td>194.1</td>
</tr>
<tr>
<td>Slovakia</td>
<td>89</td>
<td>98.5</td>
</tr>
<tr>
<td>Finland #</td>
<td>1446</td>
<td>1538</td>
</tr>
<tr>
<td>Sweden #</td>
<td>2538.4</td>
<td>2598.8</td>
</tr>
<tr>
<td>United Kingdom #</td>
<td>12832.6</td>
<td>13111.6</td>
</tr>
<tr>
<td>Iceland #</td>
<td>93.4</td>
<td>95.4</td>
</tr>
<tr>
<td>Norway #</td>
<td>1548.4</td>
<td>1532.4</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1530</td>
<td>1643</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>68.1</td>
<td>75</td>
</tr>
<tr>
<td>Romania</td>
<td>113</td>
<td>125</td>
</tr>
<tr>
<td>Turkey</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>United States #*</td>
<td>103692.5</td>
<td>101421</td>
</tr>
<tr>
<td>Japan #*</td>
<td>27498.7</td>
<td>27174.8</td>
</tr>
<tr>
<td>Israel</td>
<td>1318</td>
<td>1014</td>
</tr>
</tbody>
</table>

Data in current values

(-) Data unavailable

(#) Calculated from data in national currency

(*) Data for direct public funding excludes regional and local government
2.1. Strengthening the European research effort

Research is becoming more and more expensive, owing to its increasing complexity: in 20 years, the cost of developing a drug has more than doubled, and that of a new microelectronic component has increased ten-fold. And there are many research needs, which cannot be met efficiently by a Member State alone.

16. A European industrial policy, in particular in highly competitive sectors such as information and communication technologies, biotechnology and nanotechnology, aeronautics and space and hydrogen energy technology, requires the integration of research efforts at European level.

At present the EU Research spending for 6th Framework Programme (6FP) represents 0.05% of the GNI 25. The EU budget for research is mainly used to structure and co-ordinate the European research activity and to provide co-financing for major priority projects and promotion of mobility. In the new framework there is a clear need to fund new categories of activities to respond to pressing demands of researchers and industry.

According to the proposal currently discussed in the Council over 50% of the total sub-heading 1a should be dedicated to "Establishing a European Research Area, Promote Scientific and Technological Excellence and achieve 3% investment in Research and Innovation". This would represent some 69.7 billion over the period of 7 years\textsuperscript{16}, and comprise three main activities: the general Research activities including Security, activities in Space, and Competitiveness and Innovation Programme (CIP).

2.2. Added Value

In order to strengthen the European Research effort and become the most competitive and dynamic knowledge-based economy in the world the 7FP aims at:

- Establishing a “critical mass” of resources (doubling the current expenditure), particularly in key areas for growth such as microelectronics, telecommunications, biotechnologies and aeronautics;
- Strengthening excellence through competition at European level and transnational collaboration by creation of networks and centres of excellence;
- Exercising a “catalytic” effect on national initiatives and improving the co-ordination of the activities of the Member States in areas of interest to all or just certain countries.

2.3. Major Objectives of the 7FP (with significantly increased budget)

- Trans-national co-operation: Creating European Centres of Excellence through collaboration between laboratories
- Launching European technological initiatives
- Stimulating the creativity of basic research through competition between teams at European level
- Making Europe more attractive to the best researchers
- Developing research infrastructures of European interest
- Reinforcing co-ordination of national research programmes

An increased effort at European Union level is thought to have a powerful and specific leverage effect on private investment in research. European companies invest less in research than their American and

\textsuperscript{16} Commission Fiche n° 14 of 7 May 2004
Japanese counterparts. When they do invest, it is often outside Europe. The European Union co-funding can encourage these companies to invest more in Europe thus contributing to:

- the establishment of a framework for major technological projects which would bring enterprises and universities together at European level, and which can only be conceived at this level;
- increasing human resources: one target which corresponds to the 3% objective is to increase the number of researchers in Europe to 8 for every 1 000 of the labour force (it is currently 6 for every 1 000), as in the United States;
- the creation of “centres of excellence” of critical mass capable of attracting private investment.

The work would be targeted on key European interest themes, ensuring continuity with the 6FP thematic priorities as well as on the two new priority areas.

2.4. Two new areas for the Union: space and security

2.4.1 Implementing European space policy

The Space sector has been identified as a potential area for supporting the technological innovation necessary to sustain the growth and competitiveness objectives.

The 1\textsuperscript{st} Space Council in November 2004 requested the European Commission to develop industrial policy principles in line with activities funded by the European Space Programme (ESP). The EU will have to further develop its industrial policy to create favourable conditions for the development of the space manufacturing industry, and to set the scene for the creation of an application-driven market (downstream).

In the future, the “European space programme” will focus on:
- technologies for the exploitation of space in the areas of: satellite navigation (Galileo project),
global monitoring for environment and security (GMES), and satellite telecommunications;
- space transportation technologies, essential for ensuring Europe's independent access to space;
- scientific activities in space, for example in the framework of using the International Space Station and relating to space exploration.

2.5.2. Research at the service of security

In the face of organised crime, international terrorism and natural disasters, Security is a major challenge in Europe: border security, security of individuals, security of infrastructures and utilities, restoring security in case of crisis. Increasing security involves advancing knowledge regarding detection, intelligence, reconnaissance and surveillance, as well as high interoperability of rescue services.

On the basis of the report of a high-level European group, a clearly identified ‘European security Research Programme’ as part of the7FP is due to be implemented, as stipulated in the Commission Communication ‘Security Research: the next Steps’ (COM (2004) 590 final).

With more substantial resources allocated to it, the aim will be to:
- Increasing the protection of the EU Citizen;
- Improving the industrial competitiveness of the EU security industry;

\textsuperscript{17} see COM(2003) 58
• Contributing to the European Security policy building.

2.5.3. Future implementation

The decision-making process concerning Community-funded research programmes consists of a two-fold mechanism. Every four years, the Council and the Parliament, adopt a multiannual Framework Programme (FP) with clearly defined scientific and technical objectives.

In that context, your Rapporteur would like to rise a couple of questions: what should be the duration of a FP; and whether the rules of implementation of the Research FPs are adequate for the implementation of the EU Space Programme (where support for the infrastructure and construction of launchers are key elements); or whether the establishment of a specific programme where the rules could be adjusted is more appropriate.

For transparency purposes and in order to avoid overlapping of competencies it might be useful to consider the establishment of the three separate policy areas or sub-headings (under sub-heading 1a) with an adequate separate legal basis devoted to respectively:

1. Research and Security
2. European Space activities
3. Competitiveness and Innovation programme (CIP)

In the absence of the Commission proposal, your Rapporteur would like to explore the two possibilities: the establishment of sub-headings, meaning ring-fencing of the financial allocations; or the establishment of separate policy areas meaning no ring-fencing of allocations and more flexibility.
3. Implementation of the 6FP on Research 2002-2006

In order to take account of enlargement the total financial envelope for 6 FP has been increased (COM(2003)777) from 17.5\(^{18}\) to 19.235 billion. Within 6 FP budget the specific SMEs research budget was 473 m Euro.


|------------|-------|-------|-------|-------|-------|

The EU research activities of the 6FP cover the following priority thematic area:

- life sciences, genomics and biotechnology for health;
- information society technologies;
- nanotechnologies and nanosciences, knowledge-based multifunctional materials, and new production, processes and devices;
- aeronautics and space;
- food quality and safety;
- sustainable development, (energy systems, sustainable surface transport); global change and ecosystems
- citizens and governance in a knowledge-based society.

So far, the 6th Framework Programme (6FP) has been rather successful. However, out of the thousands of proposals received, only 1 in 5 has been able to be supported due to the lack of funding. In particular, just under 50% of projects considered to be of a very high standard were able to be financed. In budgetary terms, the rates of utilisation of commitment appropriations and payment appropriations were 99.98% and 96.9% respectively.

As of 10/12/04 the volume of RAL for the policy area 08 Research was 6.730 billion Euro. The grand total of the volume of RAL from policy areas: 01 MAP; 02 Enterprise; 08 Research and 10 Direct Research was 7.419 billion Euro on 10/12/04.

3.1. Special report by the Court of Auditors 2003

The overall record of RTD actions is a very positive one. However, it seems that for contracts for 5FP indirect RTD actions audited by the Court from 2001 to 2003 the major problem that persists is with overpayment for the RTD indirect action. As a result of the audit the Commission services proceeded with financial adjustments averaging 21.6%\(^{19}\) of the costs declared by beneficiaries.

In order to address this issue, the five Directorates-General jointly managing the RTD adopted the common action. The Court, however, considers that the actions resulting from the Commission’s action plan, as completed in 2003, together with the modifications to the legal base of the RTD framework programmes for 6FP are still insufficient to address the risk of overpayments for indirect RTD actions. The Court also considers that simplification and unification of

---

\(^{18}\) OJ L 232/ 1 of 29.8.2002 and for EURATOM OJ L 232/34 of 29.08.2002

\(^{19}\) CoA 2003 annual Report point 6.31 page 240
administrative procedures on both parts, the beneficiary and the Commission, is absolutely necessary in order to facilitate access to funds and ensure the clarity of spending.

3.2 Appraisal

Support provided for transnational access to major research infrastructures, networking, joint research, design studies, communication network development and construction of new infrastructures contributed to consolidation of fragmented research activities at the EU level, greater exchange of know how and closer co-operation among the Member States. The co-operation at the EU level also limit the risk of doubling the research efforts.

There is a need for:
- streamlining research activities in order to respond to the fast changing technological and economical reality
- determining the duration of the framework: the traditional 4 years or more;
- simplification of administrative procedures;
- improvement of financial controls on the part of MS;
- introduction of a systems of fiscal incentives to encourage private companies' investment in research in Europe; create a favourable legal framework that would respond to the need of research companies and encourage them to invest in the EU;
- development of human resources and encouraging young people to study science;
- to keep researchers in Europe and attract best researchers into Europe;
- to stimulate industrial policy and create favourable access to research for the industry and in particular SMEs;
- assessment if the current implementation mechanisms within the Framework Programme are adequate to implement European Space Programme; clarify the competence of Commissioners involved;
- for the transparency purposes and in order to avoid overlapping of competencies shall the establishment of three clearly separated policy areas (under sub-heading 1a) for: Research and Security; European Space activities; and Competitiveness and Innovation programme be considered;
- establishing clear priorities for the EU industrial policy and allocate critical mass of funding necessary for their implementation;
- rise public awareness concerning the importance of research, industrial policy and competitiveness to our everyday life.

4. POSSIBLE ALTERNATIVES

- Should more of the large-scale European projects involving both public and private partners be considered, following the model of the space industry and the Galileo project in particular?
- Would smaller but more focused and result orientated projects with increased EU co-financing (thus ownership) would be more appropriate to boost research activities?
- In order to improve the rate of transformation of research results into commercial applications should the introduction of a Community patent, where the research results are available throughout the EU and in particular for SME's, be examined?

5. CONCLUSIONS

in view of the above

1. Research activities represent the highest added value from the European integration viewpoint. They bring together not only researchers and their know-how but also industry, SME's and scientific
bodies. Research activities contribute to the creation of new highly skilled jobs that are now (but even more so in the future) be needed in order to allow European economy to remain competitive on the world markets guaranteeing prosperity, employment and quality of life.

2. the volume of appropriations for Research programme should reflect the critical mass of Community co-funding necessary to boost research and thus industrial activities and be at least at the level of 0.09 % of the EU GNI, which would reflect the notion of doubling of the EU research spending (which currently represents 0.05 %).

3. The Community co-financing for "innovation into application" research projects should increase to 80%, guaranteeing access to the research results.

4. the volume of appropriations for a policy area 'Competitiveness and Innovation' that would encompass the future industrial policy and enterprise policy of the EU20 should reach a critical mass in order to attain the Lisbon goals.

5. Space activities should be budgeted under a separate policy area (which is in line with the Constitutional Treaty Art III-254). The amount allocated under this sub-heading should cover all activities related to Space: the research for applications in science and technology; construction of satellite launchers; support for infrastructure (Galileo, GMES); and the EU access to Space.

---

INTRODUCTION

At this stage of the work achieved by the Temporary Committee after the analysis of the different headings and before the presentation of the resolution which, according to its mandate, should adopt the European Parliament's negotiating position, the rapporteur considers useful to make an analysis of some horizontal aspects such as the timeframe, the structure (including the treatment of the administrative expenditure and the agencies) and the different flexibility mechanisms. These horizontal elements are linked together (at least timeframe and flexibility) and will be part of the global package in the European Parliament's position, and maybe, key "variables" in the future negotiations with the Council.

Part I: Timeframe of the Financial Perspective

The next Financial Perspective will be the fourth financial framework of the European Union. Over the past, the previous FP had different timeframes:

- 1988-1992: 5 years
- 1993-1999: 7 years
- 2000-2006: 7 years
- 2007-2013: 7 years (proposed by the Commission)

In its resolution on the reform of the budgetary procedure (Cobu's initiative report to the Convention)\(^1\) the European Parliament stipulated the following:

"the length of the period covered by the Financial perspective should correspond to the length of the mandate of the Parliament and the Commission, to ensure continuity in the decision; the Commission should present the proposal for the new Financial perspective within six months after its new mandate;"

In its communication of 10 February 2004\(^2\) the Commission justifies its decision in favour of a seven-year period as follows:

"The period covered by the financial framework must be long enough to provide a coherent coverage within reasonable budget limits, for the complete phasing in of reformed Community policies and for the successful integration of twelve new Member States. The Commission as well as the European Parliament have a five-year term. Future financial frameworks should become more consistent with this institutional rhythm. [...] However, the Commission proposes transitionally a seven-year period extending from 2007 to 2013 before moving to a normal five-year cycle. This would be necessary since the evolution of market-related expenditure and direct payments in agriculture (EU 25) has been set until 2013 and the current implementation of structural funds as well as some adjustments on the side of all institutions will take time to implement."

Article III-402 of the Constitutional Treaty contains the following provisions:

"The multiannual framework shall be fixed for a period of at least five years."

---

\(^1\) A5-0046/2003 (Wynn report)
In line with this observation, the former Parliament adopted the following position:

"13. Reiterates its will, as already expressed in its report to the European Convention and widely taken on board by the draft Constitution (Article III-308), to have a financial framework established for a period of at least 5 years; takes the view that, for reasons of democratic responsibility and accountability it is fitting that the timeframe be better adapted to the mandates of the Parliament and the Commission;

14. Considers that the Parliament is not bound by the decision taken by the European Council of October 2002 on agricultural spending until 2013 and sees no reason to accept a 7 year period for the new financial perspective as a result of this decision;"

In their answers to paragraph 32 of Working document n° 2, the political groups give a clear signal in favour of a five-year period with the same justification. In their opinions for the Temporary Committee, AFCO and ECON are in favour of a five-year period for the following financial perspective (concerning AFCO).

However, for technical reasons a strict correspondence with the mandates of the Parliament and the Commission is not workable. A period of 1½ to 2 years is necessary for the institutions to set up their political agenda when taking over their mandate (year n): the new Parliament and the new Commission adopt new Financial Perspectives for a 3½-year period of their mandate and for 1½ years of the following mandates.

A five-year scenario including 1½ years of preparation would mean that the next Financial Perspective starting in 2007 should last until the end of the year 2010. This timeframe would allow the new Parliament, and the new Commission elected in 2009, to do the preparatory work for the next Financial Perspective (2011-2015). The 2013 scenario is not justified and therefore not acceptable. The alternative would be 2015 and would imply that Council agrees on maximum flexibility linked to a longer period.

The rapporteur considers that the institutional and democratic reasons developed by the European Parliament and shared by the Commission and by the Member States in approving the Constitution, should be endorsed by the Temporary Committee. In his view, there is no legal obligation for the financial framework to match the timeframe of a specific decision, which covers only a part of the whole expenditure, but it would be more appropriate that legislation would have the same length as the financial framework. The rapporteur also points out that even if most of the programmes are terminating in 2006 with the end of the current Financial Perspective although there is no legal obligation, some run until 2008 or later.

If the Temporary Committee can endorse the rapporteur's views, the next Financial Perspective should start in 2007 and end in 2010 justified by reasons of political agenda, of democracy (matching the Commission's and the Parliament's terms) and finally for institutional reasons - entry into force foreseen in November 2006 of the Constitution which will occur during the next Financial Perspective.

**Part II: Structure of the Financial Perspective**

**The Structure**

The Commission has reshaped the current Financial Perspective under a new structure whose main features are described below:

---

- the substitution of the traditional classification of expenditure based on the legacy of the first Financial Perspective with eight headings, which become eleven when taking sub-headings into account, by a thematic approach reflecting the Union's priorities for the next period and giving them more visibility for the citizens;

- a sub-ceiling for market-related expenditure and direct payments under heading 2, which prefigures the suppression of the distinction between compulsory and non compulsory expenditure foreseen in the Constitution, which allows modulation between rural development and market measures and which also reflects the decision of October 2002 as far as the amounts are concerned;

- the suppression of the Commission's administrative expenditure from heading 5, which includes expenditure for institutions other than the Commission, pensions and European schools;

- the Commission's administrative expenditure is linked to operational expenditure following the logic of activity-based management already in use for the establishment of annual budgets;

- the suppression of current heading 6 "Reserves" whose two components emergency aid and loan guarantee reserves replaced by a new mechanism for provisioning a guarantee fund (to be presented in the legislative package of 6 April 2005), are integrated under heading 4 European Union as a global partner;

- the suppression of heading 7 Pre-accession strategy merged into one of the new instruments under heading 4 (IPA);

At the request of the European Parliament, the Commission has provided a corresponding table which facilitates the comparison between the volume of expenditure allocated to the current programmes and foreseen under the new ones (see annex I and fiche n° 14). However, the rapporteur notices that the comparison remains difficult for several reasons:

- the contents of the new headings have changed drastically;
- most of the terminating programmes are replaced by new financial instruments, which concentrate different activities (old ones and new ones) under a different name and different envelopes;
- the different headings contain appropriations for 27 Member States;
- the administrative expenditure linked to the programmes is aggregated with the operational expenditure;

The answers received from the political groups on paragraph 32, concerning the new thematic structure and the discussion on the different working documents indicate that the Commission's proposals are generally acceptable.

Nevertheless, the rapporteur wishes to draw the attention to the questions raised in working documents n° 16, 17 and 18. They concern in particular Heading 3 Citizenship, Freedom, Security and Justice as regards its magnitude (with a cumulated amount of € 24,7 billion over the period) which is far smaller than all the other operational headings and as regards its contents and objectives in relation to Heading 1a) Competitiveness for growth and employment.

As far as Culture (including Media) and Information are concerned, the argument is the obvious link of these policy areas with the Lisbon process. However, the rapporteur also notices that no specific request to modify the Commission's proposal is made by the Committee on Culture and Education.
Concerning Citizenship, the rapporteur asks whether a category, which represents only 2,3% of the global commitments over the period, is relevant and whether alternatives should be envisaged. The opinion by the Committee on Civil Liberties, Justice and Home Affairs states the following:

“is aware of the relative size of the proposed heading in comparison to other headings [...] underlines therefore the need for increased flexibility in case of unforeseen events”.

As conclusion concerning the structure, the rapporteur considers that although the rationality of Heading 3 can still be questioned at a further stage of the negotiations, the Commission proposal for Heading 3 is acceptable.

His preference would be to concentrate on the degree and possible mechanisms of flexibility, including the Solidarity Instrument (1 billion per year) which the Commission last proposal includes under Heading 3.

Administrative expenditure

The Commission's proposal foresees to include the Commission administrative expenditure linked to the implementation of the programmes under the other four headings. Heading 5 (Administration) would only include administrative expenditure for institutions other than the Commission, pensions and European schools. The justification given by the Commission is to streamline the budgetary presentation of administrative expenditure to make it consistent with the ABB (Activity Based Budgeting) and ABM (Activity Based Management) approach.

Administrative expenditure, currently linked to operational expenditure, include all administrative expenditure from current Heading 5, the so called "mini budgets" under the Structural Funds and the former B…A lines under internal policies and external actions.

The share of the administrative expenditure for the Commission will correspond to 47% of the current Heading 5 in 2006, even to 53% with pensions and European schools. These forecasts include the needs linked to the last enlargement (EU-10) and also those for Bulgaria and Romania. The total amount foreseen is 28,62 billion over the period.

The new Heading 5 would therefore cover all the other institutions, including the European Parliament. The rapporteur wishes to point out that under such a proposal, the European Parliament's self-imposed ceiling of 20% of (current) heading 5 will have to be reviewed.

In their replies to paragraph 32 of Working document n°2, all the political groups have mentioned the need to maintain more transparency on the Commission's administrative expenditure. In the various working documents on the Council, most of the delegations were in favour of keeping more transparency and more political control over the Commission's administrative expenditure.

Agencies

According to the principle of new governance linked to the Commission's administrative reform, the Commission will propose the creation of more and more types of agencies: decentralised agencies (5 in 1995, 21 in 2005) regulatory agencies, executive agencies (see annex II). The rapporteur has asked the
Commission to provide the Temporary Committee with a multiannual programming of agencies over the period, but the Commission indicated that this was not possible.

Based on the number of existing agencies and the amount allocated to them in the 2005 Budget, the rapporteur considers that the cost of agencies should amount to €2.4 billion over the period 2007-2013. This forecast is based on a 2% deflator and does not include any margin for new agencies. When one knows that the new agencies have had an increase of more than 50% of their budget during the first two years after their creation, the amount of €2.4 billion is likely underestimated.

Over the last budgetary procedures, the European Parliament has been particularly concerned about the constant growth of agencies, not as such, but in a global context. Therefore the rapporteur, after consulting the standing rapporteur for agencies of the Committee on Budgets, considers that a solution to ring-fence the agencies is necessary in the next multiannual framework in order to avoid that the development of agencies in future creates a limitation of the other programmes under the same policy area. In absence of clear indication on programming he is also in favour of having a non-allocated margin for new agencies.

Concerning administrative expenditure and agencies, the rapporteur wishes to present three options which could apply to both administrative expenditure and agencies.

Concerning administrative expenditure, the rapporteur wishes to present three options, all aimed at improving transparency and control of administrative expenditures.

Option a) Transparency and control

Commission administrative expenditures should be ringfenced to avoid absorption of operational expenditure. These expenditure should be treated, as in the past, in the same way as all other Institutions in Heading 5.

- Option b) Transparency and control in the ABB approach

Commission administrative expenditures should be ring-fenced with a sub-ceiling within each heading of the Financial Perspective.

Option c) Third option : Transparency and control in the ABB approach in a flexible way

This option is a combination of the two previous ones: it would consist in having a supplementary global ceiling for Commission administrative expenditure, outside the financial perspective table, on the model of the XX chapter in the annual budget. This option will guarantee transparency, control and, at the same time, respect of the ABB approach. This approach will leave some flexibility to the Commission in micro-management. This ceiling can be increased only by a joint decision of the Budgetary Authority:

- with the eventual margin under heading 5;
- with all the other means offered by the IIA (i.e. revision or flexibility);

Concerning the Agencies your Rapporteuer considers that a similar approach expenditure can be followed for Agencies.
Option a) all the agencies should be grouped in heading 5 (or in a specific heading)

Option b) a sub ceiling for agencies should be created in each heading

Option c) a ceiling for the agencies, outside the financial perspective table; This ceiling can be increased only by a joint decision of the Budgetary Authority:

- with the eventual margin under the respective heading;
- with all the other means offered by the IIA (i.e. revision or flexibility);

Part III: Flexibility mechanisms

Flexibility was introduced already in the first Interinstitutional Agreement of December 1988 (Delors I package) which for the first time introduced five headings, as opposed to the terms of the Treaty which foresee only two categories of expenditures (compulsory and non-compulsory expenditure). The increase of non-compulsory expenditure was subject to the mechanism of the maximum rate of increase (MRI) foreseen by article 272.9 of the Treaty.

The revision of the Financial Perspective should respond to more permanent and structural needs. The current Financial Perspective was adjusted and revised in April 2004 to finance the enlargement to the ten new countries to finance unforeseen needs under heading 2, 3 and 4 and therefore also proved its relevance in a multiannual context. The attitude of Council to resist to any revision, in the spirit of the IIA has obliged the Institutions to abuse of the flexibility instrument.

The flexibility instrument, due to allow the financing of unforeseen needs, was created at EP’s request despite Council's initial opposition and although it was not included in the Commission's initial proposal. However, over the past years, and especially during the current Financial Perspective (2000-2006), the flexibility instrument has been mobilised six years out of seven.

Finally, during the same period, the Solidarity Instrument was set up to cover natural disasters (floods, droughts, forest fires etc…) with funding above the Financial Perspective. All in all, the current Financial Perspective agreed in 1999 was increased by € 33 billion, of which € 30,7 billion for revision. Characteristics of both instruments are that they are not foreseen under the ceilings of the Financial Perspective, but they are added when a co-decision of mobilisation is taken by the budgetary authority.

The Rapporteur considers flexibility as an indispensable tool of financial programming; the level of flexibility to be included in the future Financial Perspective is closely linked to a number of parameters:

- the multiannual character of expenditure
- the duration of the multiannual framework (longer period, more flexibility)
- the number of categories and subcategories (more headings more rigidity then more flexibility).
- the margins left available (less margin of foreseen legislation under each heading more flexibility)
  - within the ceiling of the different headings of the Financial Perspective
- by the share of pre-determined amounts of legislation for annual actions and new initiatives (pilot projects, preparatory actions)
- the magnitude and frequency of unforeseen needs.

For the next Financial Perspective, the Commission proposes several instruments of flexibility which are described below:

**Over the period**

- Revision procedure: it aims to revise the expenditure ceilings in view to finance unforeseen events with a multiannual impact on the financial framework.

**During the annual procedure**

- Reallocation flexibility between headings\(^1\): it would replace the existing flexibility instrument and would allow the budgetary authority, on the basis of a Commission proposal, to re-allocate appropriations within certain limits between expenditure headings;

- Growth Adjustment Fund within heading 1a) Competitiveness for growth and employment. Up to € 1 billion per year could be made available to increase the policy areas identified as most effective to fulfil the defined priorities; in addition, unused appropriations from the two cohesion instruments: ERDF and ESF (European Solidarity Fund) as a result of the “N+2 rule” can be added to the Growth Adjustment Fund up to a maximum of € 1 billion per year;

Legislative flexibilities:

the Commission foresees the possibility to introduce some flexibility in the financial envelopes of the multiannual co-decided legislative programs (5%). This would allow within the annual budgetary procedure some marginal adjustments to the multiannual envelopes of legislative programmes.

The rapporteur welcomes the Commission’s efforts to find means to finance unforeseen needs over the period. Flexibility has proved to be necessary over the last period, under different forms: flexibility instrument, adjustment, revision, European Solidarity Fund and use of the emergency reserve.

Having in mind the significant margin likely to be left beneath the ceiling of own resources, he believes that it would be unrealistic to decide on a multiannual framework with a duration of 5 or 7 years for a Union with 25 or 27 Members States without fixing appropriate means and procedures to overpass the ceilings when necessary. Under the next financial framework, the recourse to the different forms of flexibility to be defined should also avoid to create institutional tensions like in the past.

On the basis of the above considerations, the rapporteur makes the following proposals:

**Concerning the principles:**

- flexibility should be part of the global package and as such, it should be a strong point of the European Parliament's negotiating position;

\(^1\) According to the Commission, the Reallocation facility aims to correct the distortions experienced in the recurrent use of the existing flexibility instrument, whose original purposes was to allow the financing of clearly identified expenditure which could not be financed beneath the agreed ceilings.
- the magnitude and the instruments of flexibility should be closely linked to the decision on the overall figures and on the structure of the Financial Perspective;

- the longer the timeframe of the FP, the more flexibility will be required;

- the more sub-headings and sub-ceilings exist in the structure, the more flexibility will be required;

**Concerning the mechanisms:**

The Rapporteur could propose the following:

- to accept the Commission proposal for a revision procedure with a multiannual effect to cover lasting changes of the financial framework. In order to facilitate the revision procedures, the rapporteur proposes that this mechanism should be adopted with the same majority for the adoption of the budget (qualified majority in Council and Parliament);

- to reject the Commission proposal for the reallocation flexibility between headings;

- to propose a flexibility mechanism similar to the existing one to be used with an annual effect for unforeseen events, but with an initial amount of € 500 million, to increase every year by € 100 million;

- to reject the Commission proposal to include the Solidarity Fund under the ceilings;

- to propose not to change the current system for the Solidarity Fund which be maintained outside the ceilings with a maximum amount to mobilise only when deemed necessary;

- to reject the Commission proposal on the Growth Adjustment Fund;

- to reject the Commission proposal to include the Emergency Aid under the ceilings;

- to propose the creation of an Emergency aid mechanism, but outside the ceiling to be funded, when deemed necessary with the Flexibility instruments with the same mechanism of the current Solidarity Fund.

Other flexibilities:

- to accept the legislative flexibility in the legislative acts but proposes an increase of this flexibility to 10 %, above or below the amounts fixed under codecision.

- the rapporteur also proposes that in the calculation of the ceilings/sub-ceilings an increasing margin should be left with respect to the legislation programmed in each heading with a percentage to be defined and increasing every year (i.e. 2% in 2007, 3% 2008, 4% in 2009 etc.).

**Part IV: Aspects linked to the Constitution**

Taking into account that the draft Constitution for Europe should enter into force at the end of 2006 if ratified by all Member States, the link between the changes flowing from the Constitution and the next
multiannual financial framework commencing in 2007 is evident. In this context, the rapporteur believes it is of his responsibility to draw the Committee's attention to the fact that the Constitution will introduce provisions which increase the European Parliament's legislative prerogatives. Therefore, a way to anticipate the provisions of the Constitution leading to an increase of EP's powers, should be found.

The Constitution will allow for new legal basis for some existing policies, which will imply the increase of EP's powers through co-decision, or "ordinary legislative procedure", to use the words of the Constitution (in most of the cases, replacing simple consultation): i.e. the cases of external programmes such as ENPI, some sectors in the area of freedom, justice and security etc.. To this adds several totally new legal bases, i.e. in some new policies, such as space policy or tourism, in which Parliament also acquires co-decision (see list annexed).

The problem concerns particularly the cases in which the legal basis will change with the Constitution. In these areas Parliament should not accept to foresee any amounts in the Financial Perspectives that would go beyond the entering into force of the Constitution without a guarantee from the Council that no legislative acts will be adopted (before the entering into force of the Constitution) without its opinion being fully taken into consideration.

Regarding the multiannual financial framework, the Constitution foresees that in the future it becomes a law of the Council, to which the EP must give its consent by the majority of its component members. At present, the Financial Perspectives are not even mentioned in the Treaties, and until now have been adopted through an Interinstitutional Agreement. It can be argued that article 198 of the EC Treaty only requires a simple majority.

Taking into consideration that the Constitution provides for the future European law establishing the Multiannual Financial Framework (MFF) to be approved by the Parliament by the majority of its Members and that the next Financial Perspective will go beyond the entering into force of the Constitution, the rapporteur proposes that the Parliament asks:

- for a gentleman's agreement in the next Interinstitutional Agreement to anticipate all matters linked to the Constitution;
- or for a revision clause in the IIA to be activated when the Constitution enters into force, in view to guarantee EP's new legislative and budgetary powers flowing from the Constitution.
Annex I

OVERVIEW OF THE FINANCIAL FRAMEWORK 2007-2013
INDICATIVE ESTIMATES FOR ADMINISTRATIVE EXPENDITURE

Million € at 2004 prices

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission administrative expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Sustainable growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1b. Cohesion for growth and employment</td>
<td>244</td>
<td>280</td>
<td>300</td>
<td>320</td>
<td>340</td>
<td>360</td>
<td>380</td>
<td>400</td>
<td>2,380</td>
</tr>
<tr>
<td>2. Preservation and management of natural resources</td>
<td>517</td>
<td>560</td>
<td>580</td>
<td>600</td>
<td>630</td>
<td>650</td>
<td>670</td>
<td>690</td>
<td>4,380</td>
</tr>
<tr>
<td>3. Citizenship, freedom, security and justice</td>
<td>335</td>
<td>410</td>
<td>450</td>
<td>490</td>
<td>540</td>
<td>580</td>
<td>620</td>
<td>670</td>
<td>3,760</td>
</tr>
<tr>
<td>4. The EU as a global partner</td>
<td>842</td>
<td>920</td>
<td>970</td>
<td>1,020</td>
<td>1,070</td>
<td>1,110</td>
<td>1,160</td>
<td>1,210</td>
<td>7,460</td>
</tr>
<tr>
<td>Other support administrative expenditure (b)</td>
<td>360</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expenditure - Total</td>
<td>3,423</td>
<td>3,460</td>
<td>3,690</td>
<td>3,920</td>
<td>4,160</td>
<td>4,380</td>
<td>4,600</td>
<td>4,840</td>
<td>29,050</td>
</tr>
<tr>
<td>5. Administration (Other institutions, pensions and European schools)</td>
<td>3,436</td>
<td>3,675</td>
<td>3,815</td>
<td>3,950</td>
<td>4,090</td>
<td>4,225</td>
<td>4,365</td>
<td>4,500</td>
<td>28,620</td>
</tr>
<tr>
<td>Total administrative expenditure</td>
<td>6,859</td>
<td>7,135</td>
<td>7,505</td>
<td>7,870</td>
<td>8,250</td>
<td>8,605</td>
<td>8,965</td>
<td>9,340</td>
<td>57,670</td>
</tr>
</tbody>
</table>

(a) 2006 expenditure under the current financial perspective has been broken down according to the proposed new nomenclature for reference and to facilitate comparisons.
(b) Includes so-called 'mini budgets' under heading 2 'structural actions', and former so-called 'BA lines' in heading 3 'internal policies' and heading 4 'external actions'.
## Source of Financing for Existing and Future Agencies

### Existing agencies/bodies included in the EU Budget

<table>
<thead>
<tr>
<th>Heading 2007-13</th>
<th>Budget item</th>
<th>Name of Agency/Body</th>
<th>Location</th>
<th>Indicative financial programming 2006 (€ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1a</td>
<td>02 04 02 European Agency for the Evaluation of Medicinal Products</td>
<td>London</td>
<td>27.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>02040201 Subsidy to titles 1 and 2</td>
<td></td>
<td>9.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>02040202 Subsidy to title 3</td>
<td></td>
<td>17.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>02040203 Special contribution for orphan medicinal products</td>
<td></td>
<td>4.0</td>
</tr>
<tr>
<td>2</td>
<td>1a</td>
<td>04 03 04 European Foundation for the improvement of living and working conditions</td>
<td>Dublin</td>
<td>19.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>04030401 Subsidy to titles 1 and 2</td>
<td></td>
<td>12.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>04030402 Subsidy to title 3</td>
<td></td>
<td>7.5</td>
</tr>
<tr>
<td>3</td>
<td>1a</td>
<td>04 03 05 European Agency for Safety and Health at work</td>
<td>Bilbao</td>
<td>13.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>04030502 Subsidy to titles 1 and 2</td>
<td></td>
<td>5.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>04030503 Subsidy to title 3</td>
<td></td>
<td>7.3</td>
</tr>
<tr>
<td>4</td>
<td>1a</td>
<td>06 02 01 European Aviation Safety Agency</td>
<td>Köln</td>
<td>24.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>06020101 Subsidy to titles 1 and 2</td>
<td></td>
<td>11.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>06020102 Subsidy to title 3</td>
<td></td>
<td>3.4</td>
</tr>
<tr>
<td>5</td>
<td>1a</td>
<td>06 02 02 European Maritime Safety Agency</td>
<td>Lisbon</td>
<td>19.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>06020201 Subsidy to titles 1 and 2</td>
<td></td>
<td>16.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>06020202 Subsidy to title 3</td>
<td></td>
<td>3.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>06020203 Antipollution vessels</td>
<td></td>
<td>20.0</td>
</tr>
<tr>
<td>6</td>
<td>1a</td>
<td>06 02 08 European Railway Agency for Safety and Interoperability</td>
<td>Lille</td>
<td>14.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>06020801 Subsidy to titles 1 and 2</td>
<td>Valenciennes</td>
<td>11.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>06020802 Subsidy to title 3</td>
<td></td>
<td>3.4</td>
</tr>
<tr>
<td>7</td>
<td>1a</td>
<td>06 02 09 Galileo Supervisor Authority</td>
<td></td>
<td>3.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>06020901 Subsidy to titles 1 and 2</td>
<td></td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>06020902 Subsidy to title 3</td>
<td></td>
<td>0.5</td>
</tr>
<tr>
<td>8</td>
<td>1a</td>
<td>09 03 05 European Agency for Networks and Information Security</td>
<td>Greece</td>
<td>7.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>09030501 Subsidy to titles 1 and 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>09030502 Subsidy to title 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>1a</td>
<td>12 03 01 Office for Harmonization in the Internal Market (self-financed)</td>
<td>Alicante</td>
<td>pm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12030101 Subsidy to titles 1 and 2</td>
<td></td>
<td>pm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12030102 Subsidy to title 3</td>
<td></td>
<td>pm</td>
</tr>
<tr>
<td>10</td>
<td>1a</td>
<td>15 03 01 European Centre for the Development of Vocational Training</td>
<td>Thessaloniki</td>
<td>16.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15030103 Subsidy to titles 1 and 2</td>
<td></td>
<td>11.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15030104 Subsidy to title 3</td>
<td></td>
<td>5.3</td>
</tr>
<tr>
<td>11</td>
<td>2</td>
<td>11 07 04 Community Fisheries Control Agency</td>
<td>Vigo</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11070401 Subsidy to titles 1 and 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>11070402 Subsidy to title 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heading 2007-13</td>
<td>Budget item</td>
<td>Name of Agency/Body</td>
<td>Location</td>
<td>Indicative financial programming 2006 (€ mn)</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------</td>
<td>---------------------</td>
<td>----------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>13</td>
<td>2</td>
<td>Community Plant Variety Office (self-financed)</td>
<td>Angers</td>
<td>p.m.</td>
</tr>
<tr>
<td>14</td>
<td>3</td>
<td>European Centre for Disease and Control</td>
<td>Sweden</td>
<td>14.3</td>
</tr>
<tr>
<td>15</td>
<td>3</td>
<td>Food Safety Authority</td>
<td>Parma</td>
<td>46.6</td>
</tr>
<tr>
<td>16</td>
<td>3</td>
<td>European Agency for the management of operational cooperation at the external borders</td>
<td></td>
<td>9.8</td>
</tr>
<tr>
<td>17</td>
<td>3</td>
<td>European Monitoring Centre on Racism and Xenophobia/Fundamental rights agency (to replace EUMC)</td>
<td>Vienna</td>
<td>8.8</td>
</tr>
<tr>
<td>18</td>
<td>3</td>
<td>European Police College (CEPOL)</td>
<td>UK</td>
<td>4.5</td>
</tr>
<tr>
<td>19</td>
<td>3</td>
<td>Eurojust</td>
<td>Den Hague</td>
<td>11.2</td>
</tr>
<tr>
<td>20</td>
<td>3</td>
<td>European Monitoring Centre for Drugs and Drug Addiction</td>
<td>Lisbon</td>
<td>12.0</td>
</tr>
<tr>
<td>21</td>
<td>3</td>
<td>Translation Centre for the bodies of the European Union</td>
<td>Luxembourg</td>
<td>308.5</td>
</tr>
</tbody>
</table>

Sub-total including antipollution vessels and Special contribution for orphan medicinal products: 308.5

Sub-total: 284.5

of which:

<table>
<thead>
<tr>
<th>Sub-heading 1a</th>
<th>Heading 2</th>
<th>Heading 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>145.2</td>
<td>32.2</td>
<td>107.2</td>
</tr>
</tbody>
</table>

Financed by charging translations made for agencies.
### Other agencies/bodies not yet included in the EU Budget

<table>
<thead>
<tr>
<th>Budget item</th>
<th>Name of Agency/Body</th>
<th>Location</th>
<th>Indicative financial programming 2006 (€ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 3</td>
<td>EUROPOL: European Police Office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23 1a</td>
<td>European Chemical Agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 1a</td>
<td>Gender Equality Institute</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 3</td>
<td>European Migration Observatory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 3</td>
<td>European Consumer Institute</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### EXECUTIVE AGENCIES (financed from appropriations of related programmes)

#### Existing

<table>
<thead>
<tr>
<th>Budget item</th>
<th>Name of Agency/Body</th>
<th>Location</th>
<th>Indicative financial programming 2006 (€ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 1a</td>
<td>Intelligent Agency executive agency</td>
<td></td>
<td>5.0</td>
</tr>
<tr>
<td>28 3</td>
<td>Executive agency for health and consumer protection</td>
<td></td>
<td>5.8</td>
</tr>
<tr>
<td>29 1a/3</td>
<td>Executive agency for education and culture</td>
<td></td>
<td>32.7</td>
</tr>
<tr>
<td>30 1a</td>
<td>TEN-T Executive Agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 1a</td>
<td>Executive Agency for Competitiveness and Innovation programme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32 1a</td>
<td>Executive Agency for Research</td>
<td></td>
<td></td>
</tr>
<tr>
<td>33 3</td>
<td>Executive Agency - Information Systems in Border Areas and Visas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34 4</td>
<td>Executive Agency - TAIEX</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Under consideration

- TEN-T Executive Agency
- Executive Agency for Competitiveness and Innovation programme
- Executive Agency for Research
- Executive Agency - Information Systems in Border Areas and Visas
- Executive Agency - TAIEX

### Other existing agencies financed from related programme appropriations

<table>
<thead>
<tr>
<th>Budget item</th>
<th>Name of Agency/Body</th>
<th>Location</th>
<th>Indicative financial programming 2006 (€ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>35 4</td>
<td>European Training Foundation</td>
<td>Turin</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td>Of which: Phare contribution to the European Training Foundation</td>
<td></td>
<td>2.5</td>
</tr>
</tbody>
</table>

- European Agency for Reconstruction
- European Agency for Reconstruction

Max. 8% of appropriations of operational expenditure in budget items (mandate expires end-2006)
### Annex III

## Financial Perspective 2000-2006

### Adjustment for enlargement and revision

<table>
<thead>
<tr>
<th>Amount - € million</th>
<th>1999 prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2004</td>
<td>Adjustment for enlargement to 10 new Member States</td>
</tr>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td><strong>Total of commitments 2004-2006</strong></td>
<td><strong>30 774</strong></td>
</tr>
<tr>
<td>April 2004</td>
<td>Revision: Ceiling of heading 3</td>
</tr>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td><strong>Total of commitments 2004-2006</strong></td>
<td><strong>480</strong></td>
</tr>
</tbody>
</table>

### Mobilisation of the flexibility instrument

<table>
<thead>
<tr>
<th>Amount - € million</th>
<th>current prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Kosovo (R4)</td>
</tr>
<tr>
<td>2001</td>
<td>Serbia (R4)</td>
</tr>
<tr>
<td>2002</td>
<td>Fisheries ex-agreement w/Morocco and border regions (heading 4)</td>
</tr>
<tr>
<td>2003</td>
<td>Fisheries ex-agreement w/Morocco (heading 4)</td>
</tr>
<tr>
<td>2004</td>
<td>Iraq (heading 4)</td>
</tr>
<tr>
<td>PDB + AL1</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Iraq (heading 4) + Agencies (heading 3)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Mobilisation of the Solidarity Fund

(above the financial perspective ceilings)

<table>
<thead>
<tr>
<th>Amount - € million</th>
<th>current prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Austria</td>
</tr>
<tr>
<td></td>
<td>Czech Republic</td>
</tr>
<tr>
<td></td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
</tr>
<tr>
<td><strong>Total 2002</strong></td>
<td><strong>728</strong></td>
</tr>
<tr>
<td>2003</td>
<td>Italy</td>
</tr>
<tr>
<td></td>
<td>Spain</td>
</tr>
<tr>
<td></td>
<td>Portugal</td>
</tr>
<tr>
<td><strong>Total 2003</strong></td>
<td><strong>105</strong></td>
</tr>
</tbody>
</table>

**March 2004**

*France, Malta and Spain (Proposal from the Commission)*

22
WORKING DOCUMENT NO 22: SUMMARY OF THE OPINIONS OF THE STANDING COMMITTEES

In order to facilitate the reading of 17 Opinions delivered by the Standing Committees to the Temporary Committee, the Rapporteur finds it useful to present a summary of their suggestions. 1

Committee on Foreign Affairs
(Draftswoman: Véronique De Keyser)

Calls for the Union’s external actions to be considered a priority in the financial perspective 2007-2013; welcomes the inclusion of EDF into the EU budget; welcomes the Commission’s efforts to rationalise and simplify the instruments for external operations; considers, however, that in the financial terms the Commission’s proposals fail to take sufficient account of the political priorities expressed in previous European Parliament opinions; questions the merit of a foreign policy limited to development operations or crisis management; considers that the codecision procedure should apply to the Regulation establishing an Instrument for Stability; cannot accept the fact that the Commission’s proposals effectively exclude the European Parliament from the formal consultation process for defining programmes and priorities in the Regulation establishing a Financial Instrument for the European Neighbourhood Policy; call for re-evaluation of comitology rules; emphasises the need to increase budget allocations for security research; calls for a specific financial instrument to be established for the European policy promoting human rights;

Committee on Development
(Draftswoman: Marie-Arlette Carlotti)

Welcomes the provisions of the Treaty establishing a Constitution for Europe (Art III-316 - 321) which set out the objectives of the EU's development and humanitarian aid policy; regrets the failure of the Commission's proposals for regulations regarding the EU's external actions to respond to the objectives of Development policy set out in the legal basis (the European Constitution, the EC Treaty and the November 2000 declaration on development policy); recalls that the creation of horizontal programmes falls under codecision, and calls for Parliament's powers to be respected in full; believes that development policy objectives can only be achieved on the basis: either a specific heading for the EU's development co-operation policy with respect to all the developing countries on the DAC list; or two clear and distinct 'subcategories' within category 4: (1) for the development expenditure with respect to all the developing countries on the DAC list currently funded from the budget (geographical and thematic headings); (2) for co-operation with our ACP partners under the Cotonou agreement on the basis of EDF appropriations, if the Fund is budgetised from 2008 as the Commission proposes; recommends that 20% of the major part of development co-operation expenditure over the period be earmarked for basic education and health in the developing countries; considers, that 10% of the EU budget by 2013 for Development policy is a reasonable and accessible political goal, echoing the mobilisation of the Member States with a view to reaching the aid target of 0.7% of GNP; supports the principle of budgetisation of the EDF, nonetheless shares the ACP partners' concerns, and stresses that the integration of the EDF into the EU budget must comply with clearly defined conditions: considers that the EU budgetary resources should evolve towards the 'ceiling' of 1.24% of GNI (commitment appropriations); calls on the Commission to submit proposals

1 This summary is based on the Opinions adopted by relevant Committees with the exception for the Committee on Budgetary Control, the Committee on the Internal Market and Consumer Protection, and the Committee on Foreign Affairs where it could, at the time of finalising of this document, solely be based on draft opinions pending adoption in the Committee.
in this sense, and rejects the attempts to cap resources artificially at 1% of GNI; cannot accept the Commission's proposal to exclude Parliament from the consultation process on the definition of the geographical and thematic programmes under the regulation on development co-operation and economic co-operation;

Committee on International Trade
(Draftsman: Pierre Jonckheer)

Supports the level of payment and commitment appropriations proposed by the Commission for the years 2007-2013; considers that, in the spirit of the Lisbon Strategy, cohesion support will need to be geared to capacity-building, both in regional and in social terms, in order to stimulate sustainable growth, inclusion and competitiveness; calls in particular for appropriate funds in the EU budget to allow for a greater involvement of the European Parliament in trade policy, especially within the WTO negotiations and the work of the Parliamentary Conference on the WTO; welcomes the inclusion of the EDF in the new financial framework; proposes that a new interinstitutional procedure be drawn up to ensure that the European Parliament is properly involved in the shaping of policies, thereby providing a guarantee of direction and consistency in the EU’s responses to the new needs and challenges linked to world trade.

Committee on Budgetary Control
(Draftsman: Jan Mulder)

Expresses its concern that authorised appropriations have been accumulating over the current financial perspective period while funds have not been duly spent within the regular budgetary cycle; observes that this is particularly true for structural operations and the European Development Fund; points out that this backlog in outstanding commitments is likely to slow down the budget implementation and hamper a fresh start to the next programming period as from 2007; believes that significant underspending undermines the credibility of requests to increase the EU budget as such; underlines that the introduction of activity-based budgeting including administrative expenditure in the presentation of the overall expenditure of the respective policy areas, must not put in question the transparency of democratic control over, staffing matters; calls on the Commission to produce a comprehensive analysis of the administrative burden of Community legislation starting from structural and agricultural expenditure; reiterates Parliament's concerns as regards the growing number of external agencies being "neither transparent nor comprehensible"; suggests to introduce an annual "disclosure statement" by the highest level managing authorities of each beneficiary Member State; welcomes the European Court of Auditors' proposals on a Community internal control framework ("single audit model") for the shared management programmes; highlights the fact that export refunds represent a high risk area for Community spending and are open to abuse and reiterates its request for a concrete Commission proposal to abolish export refunds;

Committee on Economic and Monetary Affairs
(Draftsman: Enrico Letta)

Considers that three areas (heading 1 a) in which the Commission proposes to concentrate its efforts are absolutely crucial and that resources earmarked in those fields are non negotiable, particularly with regard to competitiveness and innovation and research and technology, education and training and trans-European and energy networks; considers the average of 1.14% of GNI in payment appropriate; is concerned about low financial autonomy of the EU budget and supports the shift of emphasises from a GNP resource to a tax-based revenue; supports the creation of a European Growth Adjustment Fund and introduction of generalised correction mechanism; considers that the Financial
Perspective should cover a period of five years, starting from the multiannual framework following 2007-2013 one.

**Committee on Employment and Social Affairs**  
*(Draftswoman: Jamila Madeira)*

Points out that appropriations for budget headings must equally reflect all the objectives of the Lisbon and Göteborg Strategy; deplores the fact that in the total financial allocation for ‘Competitiveness and entrepreneurship, implementation of the social policy agenda, margin and administration ’, only EUR 1 345 million (6.5%) out of EUR 20 405 million, in 2004 prices, is envisaged for the implementation of the social policy agenda; considers it vital, to increase this appropriation, to be able to achieve the key objectives of the Lisbon Strategy; calls for a substantially larger financial margin (12%) for implementation of social policy priorities; supports the Commission proposal in other areas; expects the financial resources for lifelong learning and professional training to be substantially increased so that the Lisbon Strategy can be realised;

**Committee on the Environment, Public Health and Food Safety**  
*(Draftswoman: Jutta D. Haug)*

Considers that the environmental aspects/impacts have to be fully taken into account in financing policies under Heading 1,”Sustainable growth”; in view of further enlargement, considers that the level of financing provided by the current Financial Perspective for the environment, public health, food safety and international co-operation will not be sufficient; is concerned about the plans to finance Natura 2000 almost exclusively through the structural and rural development funds; considers food and feed safety as priority areas; calls for an additional heading or sub-heading for decentralised agencies; suggest the creation of a solidarity rapid reaction instrument in case of crisis situation, natural disasters or bioterrorism.

**Committee on Industry, Research and Energy**  
*(Draftsman: Paul Rübig)*

Considers that the allocation earmarked for Research and Innovation, with the emphasis on growth for SMEs, constitutes an appropriate approach; considers however, the 2007-2013 Financial Perspective in the field of research and technological development as an essential minimum basis if there is to be any prospect of achieving the Lisbon objectives in the foreseen timeframe; supports pro-active approach foreseen for Growth Adjustment Fund; supports the creation of an independent European Research Council; is concerned that previous innovation and competitiveness programmes have failed to deliver the necessary link between fundamental research and industrial innovation; calls for improved access for SMEs to Community financial instruments; stresses the importance of research in energy field including nuclear fission and fusion; strongly supports increased EU spending on space activities; in line with the Constitutional Treaty (Art III. 254), calls on the Commission to address the European satellite navigation system and other space activities in a separate legal instrument with its own legal base and endowed with adequate funding;

**Committee on the Internal Market and Consumer Protection**  
*(Draftsman: Phillip Whitehead)*

Considers that, to achieve the political ambition of the financial framework, the financial means committed, and the human resources allocated, need to be appropriate and commensurate with the objectives sought; calls on the European Commission to make fuller use of re-deployment as a means of allocating staff to priority areas, taking into account the fact that certain
departments working in the field of consumer protection are understaffed and lack resources; considers that the political importance of Consumer Protection policy does not correspond to the very limited indicative assigned amount of 40 million euro annually which should be at least doubled for the period 2007-2013; considers appropriate and adequate the indicative financial allocation designed to ensure a speedy implementation of the customs 2007 programme;

**Committee on Transport and Tourism**  
(Draftsman: Etelka Barsi-Pataky)

Urges the EU to be aware of all the implications of the glaring shortfall in implementation of the main high-priority TEN-T projects; supports the considerable increase in funding for research and development especially in the area of sustainable surface transport; considers that the decommitment of commitments under N+2 should be reviewed in the revision under the TEN financial instrument and that the possibility of introducing N+3 should be considered; reiterates the important role of the new transport agencies; stresses the importance of providing a adequate budget for the Marco Polo and Galileo; considers the amount proposed for TEN-T as a minimum, subject to upward revision; considers Growth Adjustment Fund as unnecessary;

**Committee on Regional Development**  
(Draftswoman: Constanze Angela Krehl)

Stresses that the cohesion policy in an enlarged European Union will be required to meet enormous needs and therefore 0.41% of the Union's GNI must be the minimum level of funding; is aware that financial resources must be spent efficiently and supports shifting responsibility of management of SF to the MS; considers essential to back the Commission's proposal for a financial perspective for a seven-year period, ending in 2013; welcomes the creation of a Growth Adjustment Fund; encourages the Commission to rationalise procedures and reduce administrative costs; condemns those Member States which have sought to reduce the European ideal to a sterile 'money in/money out';

**Committee on Agriculture and Rural Development**  
(Draftsman: Albert Jan Maat)

Is concerned that the budget expenditure on direct payments for 2007-2013 has not taken account of the probable cost of the expected reforms in the sugar, fruit and vegetable and wine products sectors; in anticipation of a new WTO agreement, calls on the Commission to investigate how the existing export policy with export refunds can be tailored more effectively to the internationally more accepted system of export insurance; considered that not enough account have been taken of financial implication of possible accession of Bulgaria and Romania and Croatia; does not expect the Council to include a financial agreement with Bulgaria and Romania in the accession treaties; warns against the threats posed by introducing co-financing of the first pillar; supports the Commission's intention to replace the existing individual correction mechanism with a general correction mechanism; calls on the Commission to reconsider its view on 4% capping, since it is discriminatory and unjustifiable in the light of the Copenhagen Agreement; considers that it would be advisable to enable the financing of infrastructure development, the use of alternative energy sources, scientific research and training programmes from the Structural Funds and the Cohesion Fund; points out that the inadequate budgetary resources provided for in the 2007-2013 Financial Perspectives will seriously jeopardise the successful implementation of the 2003 CAP reform;

**Committee on Fisheries**  
(Draftsman: Paulo Casaca)
Considers that the total sum earmarked for the fisheries package falls very short of what is needed to apply the criteria defined by the 2002 CFP reform; considers important to allow for substantially higher funding for the conservation of marine ecosystems; considers that the fisheries budget should also take into account the budgetary consequences of further enlargement; points out that, in the event of the Council lowering the ceiling of 1.24%, Parliament should reject the proposed Financial Perspective; considers that, at EUR 7900 m (2007-2013) with an average yearly increase of 3%, rising from EUR 909 m in 2006 to EUR 1125 m in 2013, the total sum of appropriations proposed for the CFP under heading 2 is unacceptable, as it does not take into account either the new Member States' needs or those of a Europe of 25.

Committee on Culture and Education
(Draftswoman: Ruth Hieronymi)

Considers that in the field of education programmes the Commission proposal is insufficient and require increase of approximately one-quarter of the current reference amount; Recalls that the Constitution for Europe (Article III-282) notes the social and educational function of sport thus giving Community a new competence; urges that account of this future Community competence be taken in the next Financial Perspective; underlines the increasingly important role of education and training in sustaining a competitive and dynamic knowledge-based economy hence Lisbon agenda; notes that, because of rapid technological development and long-term demographic trends, education and training systems are becoming increasingly integrated in a lifelong learning context; in the audio-visual sector regards the proposed reference amount (EUR 1 055 million) as the absolute minimum;

Committee on Civil Liberties, Justice and Home Affairs
(Draftsman: Gérard Deprez)

Proposes that the area of freedom, security and justice should be the subject of a specific sub-heading under heading 3; welcomes the extension of the solidarity instrument to non-natural disasters, such as terrorist attacks; insists however to have a precise definition of the European dimension of the disaster which will give access to the Solidarity Instrument; objects to the proposed flexibility of 5% to depart from financial reference amounts in programmes decided by the codecision procedure; proposes to remove from the text of the interinstitutional agreement the commitment to 'avoid entering items in the budget carrying insignificant amounts of expenditure on operations'; objects to the proposal that both arms of the budgetary authority should inform the Commission by mid-June of their intentions as regards pilot projects and preparatory actions because the Parliament can only have a position once the deadline for budget amendments has passed; questions the judgement that no provisional measures will be necessary, which is based on the assumption that all relevant basic acts are adopted in 2005; considers, in the absence of the concrete legislative proposals, the declared intention of the Commission to spend 75% of the total amount for these three programmes on the 'freedom programme', i.e. mainly on the protection of external borders, as premature; Stresses that each of the three framework programmes must be allocated sufficient (significantly increased) budgetary resources; Notes that the introduction of the concept of 'shared management' with Member States for a part of the expenditure constitutes a new development (the only significant exception being so far the Refugee Fund) and requests the Commission to ensure an adequate control environment at national and European level;

Committee on Constitutional Affairs
(Draftsman: Johannes Voggenhuber)

Insists that the multiannual financial framework should be of five-years' duration so as to
correspond to each term of the Parliament and the Commission with one-year's margin, and therefore proposes that the financial perspective currently under negotiation should be of four-years' duration; Insists that the European Parliament should assent the financial framework by an absolute majority; calls on the Commission to incorporate a new programme to promote Union-wide print and electronic media in Heading 3; calls for sufficient funds to be allocated to the future Fundamental Rights Agency; calls on the Commission to further specify its proposals for a convincing system of own resources which will make the revenue side of the Union budget transparent for citizens and guarantee the Union's financial autonomy;

Committee on Women's Rights and Gender Equality
(Draftswoman: Ilda Figueiredo)

Points out that the allocations proposed by the Commission in the 'Prodi Package' for social issues, equality and employment do not reflect any real increase over the previous financial framework; deprecates the fact that a mere € 1 345 million, at 2004 prices, are earmarked for the social agenda in the proposed amounts for 2007-2013; rejects the creation of a single instrument for social issues called 'Progress'; proposes introducing a new objective, on human resources, under Objective 1 of the Structural Funds; stresses the need to establish the binding gender mainstreaming criteria between the European Social Fund and the National Action Plans for employment and social inclusion; supports a seven years period for the financial perspective; rejects the strategy to reduce the EU budget to 1% of Community GNI;
MINORITY OPINIONS

Minority position in accordance with article 48 (3) of the Rules of Procedure


Tabled by Esko Seppänen, Pedro Guerreiro, Helmuth Markov, Dimitris Papadimoulis and Kyriacos Triantaphyllides

These are, in brief, the reasons why we vote against this report.

We say NO to the "European Constitution" and therefore say NO to the Commission's proposal for the financial perspectives for 2007-2013, which is a political and financial translation of the aims embodied in the "European Constitution" with the overarching focus on competition/competitiveness, security and militarisation, which is unacceptable to us.

We consider the Commission's proposal to be profoundly inadequate in terms of instruments and financial means to face the social, economic and environmental challenges of an enlarged EU.

We reject the "Lisbonisation" of the financial perspectives and the adaptation of the Structural Funds to the neo-liberal Lisbon agenda and its review. We consider that the amounts allocated to social and environment issues should be increased and reject the proposed increases on JHA and CSFP/CSDP.

We consider that European Regional Policy is an indispensable tool for promoting social and economic cohesion and that the structure and the amounts proposed are not adequate to respond to the cohesion needs of an enlarged EU.

We consider that this report is a missed opportunity to explore new priorities/alternatives and to respond to the legitimate expectations of citizens and that it worsen the Commission's proposal even more. Moreover, our proposals have been rejected and some of the proposals presented by various Committees were not taken up in the resolution.
MINORITY OPINION

Author: Dariusz Grabowski, MEP, Independence/Democracy Group

On 'Policy challenges and Budgetary means of the Enlarged Union 2007-2013' (rapporteur Reimer Böge) adopted at the meeting of the Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013 on 10 May 2005, in Strasbourg

Legal basis: Rule 48(3) of the Rules of Procedure of the European Parliament

I, Dariusz Grabowski, Member of the European Parliament, am opposed to the proposed EU Financial Perspective for 2007-2013. The proposal adopts economic mechanisms and indicators, in particular:

1. restriction of the amount of Member States' contributions,
2. a high share of expenditure on agriculture,
3. a low rate of growth in appropriations for structural and cohesion funds,
4. allocation of the majority of funds to research and development in old EU Member States,
5. a rapid increase in administrative expenditure,

which run counter to declared EU objectives such as a high economic growth rate and structural change, as well as removing differences in the levels of richer and poorer States.

The proposed Financial Perspective includes no legal, tax, or credit solutions to facilitate economic activity or to eliminate discrimination against citizens and enterprises from regions and States with a low level of economic development.

Instead of increasing the pace of economic development, implementation of the Perspective will result in slowing the rate of development of EU Member States. Instead of facilitating the removal of differences in the level of economic development between poorer and richer States and regions, implementation of the Financial Perspective will increase these differences.

Indirectly, this will have the effect of increasing social tension, particularly demographically and culturally.

The proposed Financial Perspective confirms the bureaucratic and technocratic perspective which prevails in the decision-making bodies of the EU, and, what is worse, it confirms the lack of any long-term vision for the development of Europe capable of meeting the challenges of global competition.
Written reservation concerning the report on policy challenges and budgetary means of the enlarged Union 2007-2013

By Lars Wohlin

I reserve my position with regard to the Temporary Committee's proposal for a Financial Perspective amounting to 1.07% of GNI in payment appropriations and 1.18% in commitment appropriations. I consider that total payment appropriations should not exceed 1.00% of the combined GNI of the EU Member States, as proposed by the G6 countries.

The Financial Perspective should include the costs of the European Development Fund (corresponding to an increase of approx. 0.03 percentage points). There are also grounds for believing that the costs of the accession of Bulgaria and Romania have been underestimated.

Commitments should be adjusted to a level which is compatible with an expenditure ceiling of 1.00% remaining in force after the expiry of the Financial Perspective 2007-2013, in order not to commit the subsequent Parliament to a higher level of expenditure.

The field in which it is important to cut the proposed expenditure is regional aid. This should be confined to countries with per capita incomes below the EU average. Aid to the EU-15 should be phased out more rapidly than provided for in the proposal. Farm subsidies should be reduced. The pledges given to the 10 new Member States should be honoured, but should not be emulated in the farm subsidies payable in any additional new Member States.

Measures to implement the Lisbon process should be financed primarily by the Member States themselves. While complying with the expenditure ceiling, the proposal should comprise a substantial margin of flexibility to allow for contingencies. The EU should not acquire a power of taxation in its own right.
OPINION OF THE COMMITTEE ON FOREIGN AFFAIRS

for the Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013
(2004/2209(INI))

Draftswoman: Véronique De Keyser

SUGGESTIONS

The Committee on Foreign Affairs calls on the Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Fully supports the ambitions concerning external relations set out in the Constitutional Treaty aimed at making the European Union an effective, visible, credible and coherent global partner; calls for the Union’s external actions to be considered a priority when the financial perspective for 2007-2013 is drawn up and for the Union’s budget resources to be scaled up in order to respond fully to the international responsibilities and obligations incumbent upon the Union while allowing sufficient room for manoeuvre in an uncertain international environment; reiterates its call for the budgetisation of the EDF; underlines, however, that the integration of the EDF into the EU budget must count as separate and additional funding, and must not prejudice the calls for an increase in the external relations budget;

2. Welcomes the Commission’s efforts to rationalise and simplify the instruments for external operations available to the Union; considers, however, that the Commission’s proposals for the geographic and thematic distribution of these instruments and their respective funding fail to correct the existing imbalance in foreign policy expenditure and fail to take sufficient account either of the political priorities expressed in previous European Parliament opinions or of the full range of challenges facing the Union, whether they concern enlargement, the neighbourhood policy or other regions of the world such as Africa, Latin America, the USA and Asia; considers that, in a global, integrated foreign policy, the instruments used for foreign policy, on the one hand, and for humanitarian aid, on the other, must be transparent and complementary;

3. Questions the merit of a foreign policy which neglects traditional external policies and instead restricts its activities to development or crisis management, whereas these three dimensions are inseparable and complementary; recalls that there is a plan to set up a European external action service, which should be provided with adequate budgetary resources; states its intention to ensure full transparency on the financing of the reconstruction of Afghanistan and Iraq by creating specific budget lines on these items;

4. Notes with concern that under the guise of more efficient bureaucratic management the real effect of the Commission’s proposals will be to reduce both the visibility and transparency of external actions in certain areas and also the European Parliament’s power of ex ante control over the Union’s external action, particularly as regards developing the strategy and defining the
priorities of the Union, which is quite contrary to the spirit of the Constitutional Treaty; notes that the rationalisation of the instruments operated by the Commission hardly provides the Union's external action with the visibility that the reform of the EU’s budget structure actually sought to do; calls on the Commission to present its plans for the future budgetary structure accompanying the financial instruments in order to give concrete indications as to how Parliament can exercise its full budgetary rights in this respect;

5. Although it welcomes the fact that two of the four new instruments (the ENPI and the DCECI) are initially subject to codecision, expresses reservations about the extensive powers afforded to the Commission, which mean that decisions on implementation of the regulation could be made without referring to Parliament, with current proposals serving as the legal basis for all future actions, making new legislation unnecessary and potentially sidelining Parliament altogether; stresses in this regard that simplification must not be at the expense of accountability and transparency; believes that the codecision procedure, while taking account of the preceding considerations, should apply to the regulation establishing an instrument for stability which, as well as incorporating a number of Community competences, also deals with civilian crisis management and contributes to the overall goal of developing and consolidating democracy and the rule of law; recalls the close links between the civilian and military aspects of crisis management and regrets the fact that CFSP operations, decided by the Council on a case-by-case basis, were not included in the general revision of the external action instruments, one of the aims of which should be to enhance the Community dimension; therefore calls on the Commission to reconsider its proposal concerning the instrument for stability and to amend the legal basis for the proposal, which lies not in Article 308 of the EC Treaty and Article 203 of the Euratom Treaty but in Articles 179 and 181a of the EC Treaty; points out that if the Commission intends to retain nuclear safety issues in its proposal it should present a separate proposal based solely on Article 203 of the Euratom Treaty; believes that more thought should be given to the distinction between immediate crisis management (emergency mechanisms) and medium-term management, on which Parliament should be consulted;

6. Considers that the codecision procedure should apply to the Regulation establishing an Instrument for Pre-Accession Assistance which - besides having as its main objective the assistance of candidate and potential candidate countries in their preparations for accession - concerns almost exclusively developing countries, and has a substantial development component that is not merely incidental; therefore calls on the Commission to amend the legal basis for the proposal, which lies not solely in Article 181a of the EC Treaty but in Articles 179 and 181a of the EC Treaty;

7. Cannot accept the fact that the Commission’s proposals effectively exclude Parliament from the formal consultation process for defining programmes and priorities in the regulations establishing the financial instruments for the external relations policy by laying down only a general framework and leaving it up to the Commission and the Council to decide alone on the strategies and the implementation of the instruments; considers that now is an opportune time for an in-depth re-evaluation of the comitology rules governing the financial instruments, with the aim of enhancing their legitimacy by laying down clear criteria and increasing Parliament’s participation, particularly considering that codecision is or should be the legal basis for those instruments;

8. Is concerned at Parliament’s lack of control over the distribution and allocation of funds to the different candidate countries within an instrument for pre-accession (IPA) managed on a simple consultative basis;
9. Emphasises the significance of a smooth transition to the new financial instruments; therefore calls on the Commission to submit in due time the necessary proposals on the future of existing management structures;

10. Emphasises the need to increase budget allocations for security research but points out that financing of security research must not take place at the expense of civil research; refers to the report by the ‘Group of Personalities’ of 15 March 2004 and reiterates the call for funding made therein; regrets the fact that the European Parliament and the national parliaments are unable to exercise any control over the CFSP/ESDP budget and asks that this situation be reconsidered, particularly as far as Union-led military operations are concerned;

11. Disapproves of the dismantling and dilution within the new instruments of the European Initiative for Democracy and Human Rights (EIDHR), which is a unique programme allowing projects to be implemented without the consent of the third-country authorities concerned and which should therefore be maintained, and calls for a specific financial instrument, providing greater flexibility in implementing projects, and subject to the codecision arrangements, to be established for the European policy promoting human rights, in order to ensure that the policy is consistent, visible and independent; calls on the Commission to associate Parliament more closely with the policy guidelines, the assessment and this instrument;
### PROCEDURE

<table>
<thead>
<tr>
<th><strong>Title</strong></th>
<th>Policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procedure number</strong></td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td><strong>Committee responsible</strong></td>
<td>FINP</td>
</tr>
<tr>
<td><strong>Committee asked for its opinion</strong></td>
<td>AFET</td>
</tr>
<tr>
<td><strong>Date announced in plenary</strong></td>
<td>15.9.2004</td>
</tr>
<tr>
<td><strong>Enhanced cooperation</strong></td>
<td>No</td>
</tr>
<tr>
<td><strong>Drafts(wo)man</strong></td>
<td>Véronique De Keyser</td>
</tr>
<tr>
<td><strong>Date appointed</strong></td>
<td>10.11.2004</td>
</tr>
<tr>
<td><strong>Date suggestions adopted</strong></td>
<td>16.3.2005</td>
</tr>
<tr>
<td><strong>Result of final vote</strong></td>
<td>for: 51  against: 3  abstentions: 3</td>
</tr>
<tr>
<td><strong>Substitutes present for the final vote</strong></td>
<td>Alexandra Dobolyi, Árpád Duka-Zólyomi, Milan Horáček, Jaromír Kohlíček, Jaime Mayor Oreja, Erik Meijer, Pasqualina Napoletano, Janusz Onyszkiewicz, Doris Pack, Józef Pinior, Aloyzas Sakalas, Inger Segelström</td>
</tr>
<tr>
<td><strong>Substitutes under Rule 178(2) present for the final vote</strong></td>
<td></td>
</tr>
</tbody>
</table>
OPINION OF THE COMMITTEE ON DEVELOPMENT

for the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013
(2004/2209(INI))

Draftswoman: Marie-Arlette Carlotti

SUGGESTIONS

The Committee on Development calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Stresses that the financial perspective and the related instruments must enable an improved response to the overall goals of the development policy of the European Union (EU), i.e. eradicating poverty and contributing to the Millennium development goals in all developing countries on the DAC list (part I), concentrating efforts on the least developed countries by means of sustainable social, economic and environmental development;

Future financial framework for development and humanitarian aid policy

2. Welcomes the provisions of the Treaty establishing a Constitution for Europe (Articles III-316 to 321) which set out the objectives of the EU's development and humanitarian aid policy and provide a clear and proactive legal basis for its actions in this field;

3. Recalls that the financial framework for the EU's development and humanitarian aid policies must ensure that those policies are consistent and effective, promote the visibility of the Union's development and humanitarian aid policy, and facilitate the monitoring of financial contributions and their utilisation; stresses, in particular, that this framework must permit:
   - recognition of the specificity of the EU's development policy and reinforcement of its visibility;
   - political validation of its objectives and actions;
   - effective guarantees concerning its funding;

4. Believes that:
   - for development policy, these objectives will only be fully achieved on the basis of:
     ♦ either a specific heading for the EU's development cooperation policy with respect to all the developing countries on the DAC list;
     ♦ or two clear and distinct 'subcategories' within category 4:
1) for the development expenditure with respect to all the developing countries on the DAC list currently funded from the budget (geographical and thematic headings);
2) for cooperation with our ACP partners under the Cotonou agreement on the basis of EDF appropriations, if the Fund is budgetised from 2008 as the Commission proposes;
- for humanitarian aid, the Commission's proposal to integrate all humanitarian actions within the humanitarian aid instrument is to be welcomed;

5. Regrets the failure of the Commission's proposals for regulations regarding the EU's external actions in the context of the financial perspective for 2007-2013 to respond to these demands; considers this framework to be incompatible with the development policy objectives set out in the legal basis (the European Constitution, the EC Treaty and the November 2000 declaration on development policy), and finds it inconsistent that the instruments that are supposed to serve the EU's development policy have already been proposed despite the fact that the November 2000 declaration on development policy is currently being revised;

6. Is deeply concerned at the fact that the development cooperation instrument includes policies that do not concern developing countries, such as economic cooperation with the OECD countries, and at the existing overlap between the activities and objectives of the regulation on development cooperation and economic cooperation and that governing the stability instrument, some spending under which would be eligible for public development aid;

7. Calls on the EU to take a leading role in the provision and financing of global public goods, such as the fight against epidemics, deforestation, crime and terrorism;

8. Deplores the failure to pay attention to the transversal problems related to the Union's development cooperation policy, such as human rights, the environment, empowerment of women, and the fight against AIDS and the main communicable diseases;

9. Demands the inclusion of an explicit reference to the EU's commitment to promoting human rights as a fundamental priority objective of the external aid instruments under the financial perspective; calls for the creation of a specific financial instrument for the Union's policy for the promotion of democracy and human rights, in order to ensure the coherence, effectiveness, independence and visibility of that policy;

10. Recalls that the creation of horizontal programmes falls under codecision, and calls for Parliament's powers in the matter to be respected in full;
Level of resources allocated to development and humanitarian aid policy under the financial perspective for 2007/2013

11. Calls for more resources to be allocated to development, with a view to reaffirming the EU's commitment to becoming a leading actor able to play a stabilising role at world level, upholding the undertakings it has entered into in international terms on the subject of development;

12. Stresses that the appropriations allocated to the EU's development aid and humanitarian aid must be increased not only in absolute terms, but also in relative terms in the context of the future financial perspective;

13. Recommends that the major part of development cooperation expenditure over the period of the new financial perspective be devoted to realising the Millennium development goals, and that 20% be earmarked for basic education and health in the developing countries;

14. Notes that the Commission refers to an estimated increase in relative terms in the EU's Official Development Aid (ODA), which would rise from 8.84% to 9.44% of the budget over the period 2007/2013 (estimated maximum); welcomes this general trend, but insists that this effort must be more closely targeted on countries and policies meeting the objectives of the Union's development policy as set out in paragraph 1;

15. Considers, in this connection, that 10% by 2013 is a reasonable and accessible political goal, echoing the mobilisation of the Member States with a view to reaching the aid target of 0.7% of GDP;

16. Believes that this objective must be viewed in the context of a global increase in the EU's budgetary resources, tending towards the 'ceiling' of 1.24% of GNI (commitment appropriations); calls on the Commission to submit proposals in this sense, and rejects the attempts to cap resources artificially at 1% of GNI;

17. Calls for external actions not provided for in the budget to be financed exclusively from the stability instrument and in no circumstances from the development instrument; demands, for the 'external actions' envelope, the establishment of a margin that is flexible enough to ensure that, in future, action on unexpected political crises such as Iraq is not financed from the appropriations for development aid;

18. Stresses that the EU's new priorities in external relations, concerning the neighbouring countries, the CFSP, the ESDP, the fight against terrorism, immigration and nuclear safety, must be consistent with and must not have the effect of reducing the resources allocated to the long-term development and cooperation objectives; is concerned at the Commission's proposed figures for 2007/2013, which reflect a considerable relative reduction in the appropriations for development, economic cooperation and humanitarian aid vis-à-vis those for pre-accession, the neighbourhood policy and the stability instrument;

19. Considers the sums proposed by the Commission - EUR 44.229 bn for development cooperation expenditure and EUR 6.351 bn for humanitarian aid - for 2007/2013 to represent the minimum basis for negotiation; stresses that these sums are not such as to permit a proper response to the objectives of the EU's development and humanitarian aid policy; rejects out of hand any proposal to reduce their level;
20. Recalls the decision of the budgetary authority not to programme in advance the equivalent of 15% of the appropriations for humanitarian aid; insists that the emergency reserve must be maintained at least at its existing level, to enable rapid response to third countries' circumstantial aid needs not provided for in the budget, with priority for humanitarian aid actions;

**Budgetisation of the EDF**

21. Supports the principle of budgetisation of the EDF, which corresponds to Parliament's legitimate desire to exercise democratic control and to the objectives of the effectiveness and visibility of Community aid; nonetheless shares our ACP partners' concerns on the matter, and stresses that the integration of the EDF into the EU budget must comply with the following conditions:
   - the ceiling for the external relations heading must be raised;
   - the level of resources allocated to the ACP countries must be protected and guaranteed by means of a subheading or, at least, a separate subcategory, together with a specific legal basis;
   - the resource allocation criteria must be centred on the rights and needs of communities, on the basis of a country-by-country approach, and on the contribution made towards the Millennium development goals and other international commitments;
   - control of programmes by the partner countries and participation of civil society, in the context of respect for the key principles of partnership;
   - reinforcement of the political role of the EU/ACP institutions (the ACP/EU Parliamentary Assembly, the ACP/EU Council and the ACP secretariat).

22. Notes that the own resources ceiling, currently 1.24% of GNI, does not include the 0.03% of GNI corresponding to the annual EDF allocation; urges the Council and Commission to take account in the new financial perspective of the EDF component when setting the ceilings for own resources and external actions;

23. Calls on the EU institutions, when negotiating the new financial perspective, to include a commitment in the interinstitutional agreement which will govern the financial perspective for the coming period with a view to guaranteeing the allocation of funds to the ACP countries for the entire duration of the financial perspective; stresses that the funding allocated to the ACP countries must not be cut in real terms;

24. Is determined to ensure that any future EDF regulation includes a fixed financial framework that is valid for the entire life of the financial perspective, as is currently the case for South Africa; at the end of the period, there should be a legal obligation to draw up a new regulation setting out new financial provisions for the period of the following financial perspective; expresses its intention to monitor all aspects of the implementation of these provisions, pursuant to point 33 of 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\(^1\);

25. Supports the Commission's proposal to allocate funding to cooperation with the ACP countries at a level corresponding to the partnership's aspirations, and considers the proposed sum of EUR 23.572 bn for the period of the financial perspective to represent a reasonable negotiating basis;

---

\(^1\) OJ C 172, 18.6.1999, p. 1.
26. Stresses that the EP's responsibility as regards development funding is in line with the criteria of
democratic responsibility and transparency, and reaffirms its commitment to the fundamental
principles of partnership, control and participation which lie at the heart of both the EU's
declaration on development policy and the Cotonou agreement;

27. Cannot accept the Commission's proposal to exclude Parliament from the consultation process on
the definition of the geographical and thematic programmes under the regulation on development
cooperation and economic cooperation; considers that it should be compulsory to consult the
partner governments and civil society in the programming procedure;

28. Repeats its call for an annual debate in the EP on the Commission's annual report on
development cooperation;

**The role of development cooperation and humanitarian aid in the EU's policies**

29. Insists that the financial perspective must more fully integrate the concept of 'good governance'
in the implementation of the EU's development cooperation policy, as well as strengthening the
external as well as internal coherence of the Union's policies, pursuant to the provisions of the
Treaty establishing a Constitution for Europe under which 'the Union shall take account of the
objectives of development cooperation in the policies that it implements which are likely to affect
developing countries';

30. Reiterates its conviction that the EU's development and humanitarian aid policy and the proper
use of the appropriations devoted to it require that full and entire responsibility be entrusted to a
single Commissioner, who would represent the Union's actions in the field at the political level
and would voice its commitments before the international community.
### PROCEDURE

<table>
<thead>
<tr>
<th><strong>Title</strong></th>
<th>Policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procedure number</strong></td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td><strong>Committee responsible</strong></td>
<td>FINP</td>
</tr>
<tr>
<td><strong>Committee asked for its opinion</strong></td>
<td>DEVE</td>
</tr>
<tr>
<td><strong>Date announced in plenary</strong></td>
<td>15.9.2004</td>
</tr>
<tr>
<td><strong>Reinforced cooperation</strong></td>
<td>No</td>
</tr>
<tr>
<td><strong>Draftswoman</strong></td>
<td>Marie-Arlette Carlotti</td>
</tr>
<tr>
<td><strong>Date appointed</strong></td>
<td>17.11.2004</td>
</tr>
<tr>
<td><strong>Discussed in committee</strong></td>
<td>2.12.2004  18.1.2005</td>
</tr>
<tr>
<td><strong>Date suggestions adopted</strong></td>
<td>21.2.2005</td>
</tr>
<tr>
<td><strong>Result of final vote</strong></td>
<td>for: 24  against: 0  abstentions: 0</td>
</tr>
<tr>
<td><strong>Members present for the final vote</strong></td>
<td>Margrete Auken, Danutė Budreikaitė, Thierry Cornillet, Margrieta van den Berg, Fernando Fernández Martín, Maria Martens, Miguel Angel Martínez Martínez, Gay Mitchell, Luisa Morgantini, Józef Pinior, Toomas Savi, Pierre Schapira, Jürgen Schröder, Maria Elena Valenciano Martínez-Orozco, Mauro Zani.</td>
</tr>
<tr>
<td><strong>Substitutes present for the final vote</strong></td>
<td>John Bowis, Milan Gařa, Alain Hutchinson, Bernard Lehideux, Manolis Mavrommatis, Karin Scheele, Anne Van Lancker, Zbigniew Zaleski.</td>
</tr>
<tr>
<td><strong>Substitutes under Rule 178(2) present for the final vote</strong></td>
<td>Irena Belohorská</td>
</tr>
</tbody>
</table>
4.2.2005

OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE

for the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013
(2004/2209(INI))

Draftsman: Pierre Jonckheer

SUGGESTIONS

The Committee on International Trade calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

A. whereas over the period 1999-2004 the Community budget increased by 8.2% while the national budgets increased by an average of 22.9%,

B. having regard to the a priori decision of the Brussels European Council of 24 and 25 October 2002 on agricultural expenditure for the period 2007-2013,

C. whereas the European Development Fund (EDF) will be incorporated into the EU budget from 2007,

D. whereas the EU's responsibilities have become more wide-ranging in recent years, while a large majority of European citizens want the Union to play a more active role, especially in the area of foreign policy,

E. whereas EU trade policy, due to globalisation, is becoming more and more important and the EU is an important trade partner at world level, in bilateral as well as multilateral negotiations,

1. Supports the level of payment and commitment appropriations proposed by the Commission for the years 2007-2013; points out that new political necessities must be met with additional and adequate funding and not at the expense of other activities; welcomes the balance achieved in the Commission proposal (by setting the level of commitment appropriations at 1.14% and the own-resources ceiling at 1.24% of gross national income);

2. Welcomes the crucial role which the Commission attributes to the 2007-2013 Financial Perspectives, and the demanding timetable envisaged for the process of approving it, and highlights the importance of it being coordinated with the Lisbon Strategy; considers that the goal of making Europe ‘the most competitive and dynamic knowledge-based economy in the world’ is of fundamental importance for Europe as a key player in the world economy;

EN
3. Considers that the role of cohesion policy is of fundamental importance in the context of the Financial Perspectives; considers that, in the spirit of the Lisbon Strategy, cohesion support will need to be geared to capacity-building, both in regional and in social terms, in order to stimulate sustainable growth, inclusion and competitiveness; stresses the need for the Financial Perspectives to help minimise the costs of adaptation and facilitate social and regional adjustment to the dramatic impact which will result from increased openness to international trade in a constantly changing global economy (e.g. textiles and agriculture);

4. Calls in particular for appropriate funds in the EU budget to allow for a greater involvement of the European Parliament in trade policy, especially within the WTO negotiations and the work of the Parliamentary Conference on the WTO;

5. Calls for the necessary funds for the European Parliament to be better informed on external trade policy, especially to ensure access to all trade documents of trade negotiations and within the WTO;

6. Welcomes the inclusion of the EDF in the new financial framework (which will also contribute to satisfy the need to guarantee adequate financial resources), as well as the Commission’s declared intention to simplify procedures and enhance the consistency and clarity of the current range of different instruments; considers that increased transparency and reliability must go hand-in-hand with a stronger role for Parliament; considers that the coordinated intervention of actions and instruments must contribute to capacity-building in the beneficiary countries so as to enable them to play a full, but also a healthy and fair part in world trade;

7. Believes that the EDF expenditure which will be incorporated into the new financial framework should also enable the ACP countries to participate more fully in international trade on an equitable basis; calls for the EDF to be made available at least at the same level after its inclusion in the new financial framework;

8. Stresses the importance of extended impact assessments of trade agreements with third countries, including developing and least developed countries, which would make it possible to redress potential negative effects on the countries concerned through the multi-annual indicative programmes and country strategy papers.

9. Welcomes the Commission’s intention to improve coordination with the initiatives carried out by individual countries, other EU institutions and Bretton Woods institutions; considers at the same time that it is important that these efforts should be geared to strengthening the capacity of developing countries so as to enable them to achieve a healthy combination between growth and increasingly fair participation in international trade, particularly in the social and environmental areas;

10. Welcomes the Commission’s efforts to make regular use of impact assessments with regard to the sustainability of trade agreements for third countries, so as to maximise the positive impact and reduce the negative effects arising from the negotiation of such agreements;

11. Proposes that a new interinstitutional procedure be drawn up to ensure that the European Parliament is properly involved in the shaping of policies, thereby providing a guarantee of direction and consistency in the EU’s responses to the new needs and challenges linked to world trade.
### PROCEDURE

<table>
<thead>
<tr>
<th><strong>Title</strong></th>
<th>Policy Challenges and Budgetary Means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procedure number</strong></td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td><strong>Committee responsible</strong></td>
<td>FINP</td>
</tr>
<tr>
<td><strong>Committee asked for its opinion</strong></td>
<td>INTA</td>
</tr>
<tr>
<td><strong>Date announced in plenary</strong></td>
<td>15.9.2004</td>
</tr>
<tr>
<td><strong>Enhanced cooperation</strong></td>
<td>Jonckheer</td>
</tr>
<tr>
<td><strong>Date appointed</strong></td>
<td>25.10.2004</td>
</tr>
<tr>
<td><strong>Discussed in committee</strong></td>
<td>2.12.2004 17.1.2005</td>
</tr>
<tr>
<td><strong>Date suggestions adopted</strong></td>
<td>0.0.0000</td>
</tr>
</tbody>
</table>
| **Result of final vote** | for: 26  
against: 0  
abstentions: 0 |
| **Members present for the final vote** | Enrique Barón Crespo, Daniel Caspary, Jan Christian Ehler, Christofery Fjellner, Béla Glattfelder, Georgios Papastamkos, Godelievey Quisthoudt-Rowohl, Tokia Saifi, Robert Sturdy, Zbigniew Zaleski, Françoise Castex, Erika Mann, David Martin, Javier Moreno Sánchez, Sajjad Karim, Johan Van Hecke, Jacky Henin, Helmut Markov, Jean-Marie Le Pen, |
| **Substitutes present for the final vote** | Albert Deß, Ivo Strejček, Elisa Ferreira, Antolin Sánchez Presedo, Danutė Budreikaitė, Pierre Jonckheer, Frithjof Schmidt |
| **Substitutes under Rule 178(2) present for the final vote** | |
SUGGESTIONS

The Committee on Budgetary Control calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

Remedying complications encountered during the current financial perspective period

RAL

1. Notes the Court's statement as regards the outstanding commitments which at the end of 2003 represented 'around 2.5 years of payments at the current spending rate.' (2.18); expresses its concern that authorised appropriations have been accumulating over the current financial perspective period; notes that, regarding structural funds, the N+2 rule will overcome this problem; for new Member States a N+3 rule could be envisaged for a transitional period;

Contrast: increasing budget - low implementation rates

2. Points out that this backlog in outstanding commitments, on top of other problems such as the late approval of programmes, is likely to slow down the budget implementation and may hamper a fresh start to the next programming period as from 2007; notes that significant underspending undermines the credibility of requests to increase the EU budget as such; underlines that a realistic ratio between commitments and payments should be achieved for any given year during the next financial perspectives; urges the Commission again\(^1\) to submit an in-depth analysis on how current outstanding commitments can be reduced and abnormal RAL minimised in the future, notably in order to prepare adequate remedies in the instruments for the next financial perspective period;

3. Insists on the need for a financial framework approved within the envisaged timetable, in order to avoid delays in the launching of a number of policies for lack of legal bases, as happened during the first two years of validity of the current financial perspective; considers this to be of fundamental importance in order to minimise the underuse of appropriations, especially at the

---

beginning of the period, and hence the persistent increase in outstanding differentiated expenditure commitments;

Commission's administrative expenditure

4. Emphasises that the introduction of activity-based budgeting as from 2004, especially the presentation of the Commission's administrative expenditure as introduced in the presentation of the overall expenditure in the respective policy areas, makes it difficult, to a great extent, to carry out the absolutely essential task of analysing the development of expenditure, checking it, making comparisons with previous periods, etc.;

5. Draws attention to the fact that the combining of administrative expenditure with operational expenditure may lead to operational appropriations being used for administrative purposes, for example, in cases where the Council and the European Parliament do not accept certain demands from the Commission in the annual budgetary procedure, to the detriment of the policies concerned;

6. Suggests that the Commission, with regard to the financial perspective, should examine the possibility of maintaining separate accounts - general accounts and cost accounts - as businesses do, and points out that the Member States also use this system in their annual budgets;

Administrative burden

7. Stresses that the Commission should take action to simplify and improve the effectiveness of administrative management with regard to the implementation of Community programmes for its own services, Member States and final beneficiaries, especially as regards small scale projects; considers that a thorough analysis of the effectiveness of the administrative management of Community legislation should be made on each of these four levels, thus identifying the possibilities for increasing the effectiveness and efficiency of the use of administrative costs; proposes that this analysis should apply globally to the whole budget;

Agencies

8. Notes that the Commission, in its first strategic communication on the financial perspectives 2007-2013\(^1\), announced its intention to further outsource and entrust executive tasks to bodies other than its core departments, especially to agencies; reiterates Parliament's concerns as regards the multitude of forms and tasks of the existing agencies being "neither transparent nor comprehensible"\(^2\); demands in particular that the role of "executive agencies" vis-à-vis other agencies be clarified and overlapping of tasks avoided; is convinced that an interinstitutional agreement on common guidelines could pave the way for a harmonised framework for present and future agencies;

Fostering Member States' responsibility for sound financial management

Disclosure statement and the possibility of stopping the funding of the Member States concerned

\(^1\) COM(2004)0101.
9. Considers that a new approach is needed to tackle the "delegation risk", i.e. the risk of the Commission bearing the final budget responsibility without having sufficient certainty that the implementation is legal and regular in the case of shared management with Member States; notes that once again the European Court of Auditors could not confirm the legality and regularity of underlying transactions with regard to structural measures in the financial year 2003 due to "persistent weaknesses at Member State level";

10. Welcomes suggestions to introduce an annual "disclosure statement" by each Member State's highest political and managing authority (Finance Minister); considers that this statement should be issued, preferably per sector, prior to disbursement and should contain the declaration that proper control systems are in place; considers that such statements would enable the Commission to better assume its responsibility, especially in recovering sums unduly paid and would, at a later stage, enable the Court of Auditors to use this information in its annual audit reports;

11. Takes the view that the "disclosure statement" must be clearly linked to penalties imposed by the Commission affecting the overall funding of the Member State concerned;

12. Emphasises that the aim of the above suggestions is to reverse the tendency of the European Court of Auditors to issue negative Statements of Assurance year after year as regards the financial management of the European Union; is convinced that this would significantly improve the perception of the European administration throughout the European Union; notes that the Commission, in its 5-year workplan, has included the objective of obtaining a positive statement;

13. Regrets that the Commission's new legislative proposals on structural measures do not yet reflect the concept of disclosure statements; considers acceptance of the concept of "disclosure statements" to be a condition sine qua non for Parliament's consent to a new interinstitutional agreement on the financial perspectives 2007-2013;

**Single audit strategy**

14. Welcomes the European Court of Auditors' proposals on a Community internal control framework ("single audit model") for all areas of Community expenditure; considers that, as a rule, no sector should be excluded from this approach, and hence calls on the Commission to take the relevant steps, as appropriate; in this context reiterates the importance of applying and, if appropriate, developing common financial control and internal auditing rules; acknowledges the Commission's and certain Member States' efforts in this respect; takes the view that the development of such common standards would effectively complement the concept of "disclosure statements"; states that the structure of these common standards should reinforce the focus on effectiveness rather than merely on legality and regularity;

15. Points out that the creation of a single audit model or Community internal control framework should take into account aspects such as:

- application of the model or framework to all areas of the Community budget;

---

1 European Court of Auditors, Annual Report concerning the financial year 2003, Ch. 1, para. VI(b).
joint agreement (by the institutions and the Member States in partnership) on common principles and standards for control as well as measures to harmonise control procedures, whilst respecting national systems;

- coordination of the carrying-out of audits by the various Community and national control bodies;

**Enhancing protection of the financial interests of the European Union**

**Export refunds**

16. Highlights the fact that export refunds will depend on the outcome of the negotiations in the World Trade Organisation and that is therefore necessary to await the end of these negotiations before taking a decision on the future of these forms of aid, which in practice have been cut substantially;

17. Asks the Commission to improve the monitoring of the paying agencies responsible for implementing the common agricultural policy; points out that before accession the paying agencies in the new Member States were subject to approval by the Commission; requests the Commission to follow up on this practice and to submit to Parliament a report on the possibility of re-examination and re-approval of paying agencies by the Commission in the present Member States;
**European Public Prosecutor**

18. In accordance with the Corbett/Méndez de Vigo report\(^1\), welcomes the fact that the Draft Constitution provides for the establishment of a European Public Prosecutor's Office from Eurojust; recalls that Parliament laid down its concept of the Prosecutor in precise terms in its resolution of 27 March 2003\(^2\); notes that the Member States already decided that, if this office is established, its seat will be Luxembourg\(^3\); thus, regards the establishment and potential budgeting of a European Prosecutor's office as a concrete medium-term objective to be addressed in the framework of the financial perspectives 2007-2013.

---


| **PROCEDURE** |
| --- | --- |
| **Title** | Policy challenges and budgetary means of the enlarged Union 2007-2013 |
| **References** | 2004/2209(INI) |
| **Committee responsible** | FINP |
| **Committee asked for its opinion** | CONT |
| **Date announced in plenary** | 15.9.2004 |
| **Enhanced cooperation** | No |
| **Draftsman** | Jan Mulder |
| **Date appointed** | 30.11.2004 |
| **Discussed in committee** | 3.2.2005 16.3.2005 |
| **Date amendments adopted** | 16.3.2005 |
| **Result of final vote** | for: 20  
against: 1  
abstentions: 0 |
| **Members present for the final vote** | Inés Ayala Sender, Herbert Bösch, Simon Busuttil, Paulo Casaca, Petr Duchoň, Szabolcs Fazakas, Markus Ferber, Christofer Fjellner, Ingeborg Gräßle, Dan Jørgensen, Ona Juknevičienė, Nils Lundgren, Véronique Mathieu, Jan Mulder, Borut Pahor, István Pálfi, José Javier Pomès Ruiz, Bart Staes, Kyösti Tapio Virrankoski |
| **Substitutes present for the final vote** | Albert Jan Maat |
| **Substitutes under Rule 178(2) present for the final vote** | Rosa Miguélez Ramos, Marta Vincenzi |
OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

for the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013
(2004/2209(INI))

Draftsman: Enrico Letta

SUGGESTIONS

The Committee on Economic and Monetary Affairs calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. We recognise the efforts the Commission has made to identify the European Union’s priorities for the next few years and to propose the restructuring - albeit only partial - of its own budget in order to ensure that those objectives can be pursued.

2. We welcome the Commission’s decision to bring forward its presentation of the Financial Perspective to take advantage of the fact that almost all Community programmes are due to be completed at the same time (2006).

3. We support the position taken by the Commission in setting, as its overriding priority, sustainable growth and, in particular, the implementation of the Lisbon strategy. However, it should not be forgotten that responsibility for implementing the Lisbon strategy rests in the main with the Member States, and it will therefore be important to apply the subsidiarity and proportionality principles correctly. It needs to be stressed that solidarity and cohesion – on which the success of Europe is based – should continue to serve as fundamental budgetary principles.

4. We consider that the three areas in which the Commission proposes to concentrate its efforts are absolutely crucial, and that the resources earmarked for activities in those fields are non-negotiable, particularly with regard to measures to encourage competitiveness and innovation in the single market, particularly in the field of research and technology, education and training and trans-European and energy networks. We consider it important that financial aid should create a European added value.

5. We agree that, as competitiveness and cohesion are two separate objectives which are mutually reinforcing in that they are both conducive to solidarity among all regions and citizens, they require two distinct subheadings in the budget.
6. We strongly believe that the correct approach is to reach political agreement, first, on the role that the European Union should play through its policy action and, subsequently, on the resources which should be available to it. We consider, however, that it is appropriate for payment appropriations to be set at an average of 1.14% of gross national income (GNI), as proposed by the Commission, and for the own resources ceiling to be set at 1.24% of GNI. We believe however that these figures should be finalised only after an improvement in budgetary control whereby the Court of Auditors certifies that spending is in line with the decisions of the budgetary authority.

7. We consider that the Commission's proposal for a 'European Growth Adjustment Fund' could allow the Union to react more quickly to economic change through measures which stimulate growth; we consider that resources not spent in one financial year could be carried over and transferred to this Growth Adjustment Fund, which should finance investment that helps the EU to reach its Lisbon objectives strengthening social and regional cohesion; calls on the Commission to put forward a more detailed proposal on the financing and the use of a 'European Growth and Adjustment Fund'.

8. The outcome of the new Financial Perspective, whereby resources are to be allocated to the new Union Member States, must not serve to inflict particular damage on any one country, thereby averting inequalities.

9. Furthermore, when considering the Financial Perspective, it is necessary to determine whether European funding has contributed to real convergence, and good performances must consequently not be penalised.

10. We also support the Commission’s position with regard to the revenue side of the EU budget, and share its concern over the drawbacks of the perceived low financial autonomy of the European Union. We stress, therefore, the importance of devising an alternative system of financing the European Union, even though discussion of that subject has been postponed until 2013 and excluded from the 2007-2013 multiannual financial framework. We suggest in addition that alternative financial instruments be developed with a view to encouraging public and private stakeholders to invest on a larger scale in sectors with a higher innovation impact on the Community economy.

11. We believe that careful consideration should be given to the Commission’s proposal of a generalised correction mechanism in order to reform the UK correction mechanism, while taking as a fundamental guideline the principle of solidarity among Member States.

12. With regard to the revenue side, the shift of emphasis from a GNP resource to a tax-based resource would be desirable as a means of reducing individual Member States’ preoccupation with questions of net balance.

13. We consider, however, that Parliament must coordinate its activities in order to participate effectively in the various budget procedures. Lack of coordination, accompanied by a ‘first come, first served’ approach, would reduce the prospects of obtaining, under the Financial Perspective, the resources required to achieve the objectives identified by Parliament as priorities.

14. Finally, we consider that the Financial Perspective should cover a period of time of five years, rather than seven years in order to overlap with the Parliament and Commission mandate starting from the multi-annual framework following the 2007-2013 one.
**PROCEDURE**

<table>
<thead>
<tr>
<th>Title</th>
<th>Policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure number</td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td>Committee responsible</td>
<td>FINP</td>
</tr>
<tr>
<td>Committee asked for its opinion</td>
<td>ECON</td>
</tr>
<tr>
<td>Date announced in plenary</td>
<td>15.9.2004</td>
</tr>
<tr>
<td>Enhanced cooperation</td>
<td>No</td>
</tr>
<tr>
<td>Drafts(wo)man Date appointed</td>
<td>Enrico Letta 13.9.2004</td>
</tr>
<tr>
<td>Date suggestions adopted</td>
<td>2.2.2005</td>
</tr>
<tr>
<td>Result of final vote</td>
<td>for: 35 against: 9 abstentions: 2</td>
</tr>
<tr>
<td>Substitutes present for the final vote</td>
<td>Harald Ettl, Ambroise Guellec, Alain Lipietz, Jules Maaten, Diamantino Manolakou, Antonis Samaras, Andreas Schwab, Theresa Villiers, Corien Wortmann-Kool</td>
</tr>
</tbody>
</table>
| Substitutes under Rule 178(2) present for the final vote | }
SUGGESTIONS

The Committee on Employment and Social Affairs calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Welcomes the possibility of contributing to enhancing the Parliament's role as an equal player beside the Council in the development of the future financial framework; regrets, however, the insufficient transparency in the presentation of the framework and the lack of time for deeper analysis; expresses its concern about an overcentralised approach in the use of the budget;

2. Points out that appropriations for budget headings must reflect all the objectives of the Lisbon and Göteborg Strategy equally; calls on the Commission, therefore, to brief the Parliament every year to enable the latter to assess the effectiveness of the sustained use of EU appropriations to attain the objectives of employment and social integration as well to monitor the implementation of all other headings; calls on the Commission to review the control methods it has used hitherto and the related demands on the Member States, with the objective of developing new process-oriented and less bureaucratic methods; calls on the Commission to guarantee the Parliament sufficient time for an effective analysis;

3. Takes note of the Commission's proposal that 80% of resources be managed in a decentralised way, using national agencies to select beneficiaries and to disburse funds to users of programmes; points out that greater decentralisation may be a reasonable objective; however, calls on the Commission to demonstrate concretely how decentralisation can be combined with high standards of control to avoid the problems experienced with agency handling in the past, especially with a view to the proposed executive agency to handle actions across the areas of education and culture and the TENs;

Heading 1a. Competitiveness for growth and employment:

4. Deplores the fact that in the total financial allocation for ‘Competitiveness and entrepreneurship, implementation of the social policy agenda, margin and administration’, only EUR 1 345 million
(6.5%) out of EUR 20 405 million, in 2004 prices, is envisaged for the implementation of the social policy agenda, accounting for just 1% of the sum total under heading 1a; notes that this 1% of heading 1a will be increased only to a modest extent amounting basically to no more than the wherewithal to cope with the new situation arising when Bulgaria and Romania join the Union in 2007; criticises the fact that budget funds for social and employment policy - in contrast to the other key areas for the implementation of the Lisbon Strategy - will thus not be increased in real terms; considers it vital, therefore, to increase this appropriation, otherwise, wonders how, with such meagre funding, the EU will be able to achieve the key objectives of the Lisbon Strategy - lasting economic growth with more and better jobs, the modernisation and maintenance of the social security systems, and combating poverty and social exclusion;

5. Calls therefore for a substantially larger financial margin (12%) for the implementation of the new social policy agenda so that the agenda to increase social cohesion and growth and to reduce high unemployment can be effectively implemented;

6. Welcomes the proposal for a Community programme for employment and social solidarity (PROGRESS), bringing together successful action programmes in the fields of employment, social integration, non-discrimination and gender equality and adding a fifth area, namely working conditions; notes that the appropriations earmarked for PROGRESS do not represent any increase in the appropriations so far set aside for these areas; considers therefore that the financial framework of PROGRESS must be increased if the European Union is really serious about implementing the Lisbon Strategy and the social policy agenda, particularly since the existing area of social integration is now to be enlarged to include social protection (application of the open coordination method in respect of pensions, health care and long-term care);

7. Draws attention to the need for adequate financial instruments to promote the Commission's current active ageing strategy with concrete alternatives to early retirement systems; this strategy should also include better health protection, improved work organisation, and an intergenerational pact allowing younger workers to learn from older ones;

Heading 1b. Cohesion for growth and employment:

8. Proposes the introduction of a new target on human capital in Structural Funds Objective 1, which will include regions in which the percentage of the population completing tertiary education is less than 75% of the EU average; this new indicator would be in addition to the current indicator, which includes regions with less than 75% of the EU average GDP, and would serve as an instrument to effectively achieve the Lisbon political targets for 2010;

9. Considers that, in view of the new accession countries and their economic prosperity, the financial framework of the Social Fund needs to be increased so that the same financial resources are available for those States as were available to the old Member States; 10. Draws attention to the need for a better balance between competitiveness and cohesion policies; to this end requests wider social inclusion measures to support the employment strategy and the possibility for Member States to make flexible adjustments in accordance with the prevailing requirements of a successful labour market policy; requests an increase in facilities for SMEs to access funding in relation to R&D and Innovation in order to improve the quality of growth; requests that gender mainstreaming be given greater prominence in the programmes and projects for which ERDF and ESF funding is provided;

11. Welcomes the fact that the PROGRESS programme makes for greater transparency, simplification and accessibility in the social and employment field while improving the
prospects for implementing the social policy agenda; 12. Stresses the need to strengthen the link between the European Social Fund and the National Action Plans (NAPs) for employment and social inclusion; emphasises the importance of involving the national parliaments, social partners, civil society and regional and local authorities in the implementation of this heading, considers it also necessary that regional particularities of labour market policy may be taken into account beyond the NAPs;

13. Expects the financial resources for lifelong learning and professional training to be substantially increased so that the Lisbon Strategy can be realised;
<table>
<thead>
<tr>
<th><strong>Title</strong></th>
<th>Policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procedure number</strong></td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td><strong>Committee responsible</strong></td>
<td>FINP</td>
</tr>
<tr>
<td><strong>Committee asked for its opinion</strong></td>
<td>EMPL</td>
</tr>
<tr>
<td><strong>Date announced in plenary</strong></td>
<td>15.9.2004</td>
</tr>
<tr>
<td><strong>Drafts(wo)man</strong></td>
<td>Jamila Madeira</td>
</tr>
<tr>
<td><strong>Date appointed</strong></td>
<td>11.10.2004</td>
</tr>
<tr>
<td><strong>Date suggestions adopted</strong></td>
<td>1.2.2005</td>
</tr>
<tr>
<td><strong>Result of final vote</strong></td>
<td>for: 40  against: 1  abstentions:</td>
</tr>
<tr>
<td><strong>Members present for the final vote</strong></td>
<td>Jan Andersson, Jean-Luc Bennahmias, Philip Bushill-Matthews, Milan Cabrnoch, Alejandro Cercas, Ole Christensen, Derek Roland Clark, Luigi Cocilovo, Jean Louis Cottigny, Ottaviano Del Turco, Harald Ettl, Richard Falbr, Carlo Fatuzzo, Ilda Figueiredo, Stephen Hughes, Karin Jöns, Jan Jerzy Kulakowski, Jean Lambert, Raymond Langendries, Bernard Lehideux, Elizabeth Lynne, Mary Lou McDonald, Thomas Mann, Mario Mantovani, Jiří Maštálka, Ana Mato Adrover, Maria Matsouka, Ria Oomen-Ruijten, Csaba Öry, Siiri Oviir, Jacek Protasiewicz, José Albino Silva Peneda, Kathy Sinnott, Jean Spautz, Anne Van Lancker, Gabriele Zimmer</td>
</tr>
<tr>
<td><strong>Substitutes present for the final vote</strong></td>
<td>Udo Bullmann, Jamila Madeira, Dimitrios Papadimoulis, Leopold Józef Rutowicz, Evangelia Tzampazi, Tadeusz Zwiefka</td>
</tr>
<tr>
<td><strong>Substitutes under Rule 178(2) present for the final vote</strong></td>
<td></td>
</tr>
</tbody>
</table>
4.2.2005

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY

for the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013
(2004/2209(INI))

Draftswoman: Jutta D. Haug

SHORT JUSTIFICATION

Within the present financial perspectives (2000-2006), the volume of spending on environment, public health and food safety totals approximately 0.7 per cent of the whole EU expenditure. The Commission proposal for the new financial perspectives (2007-2013) shows a slight increase. Moreover, some policy objectives are to be achieved by mainstreaming environmental and health aspects into other policy areas. This would also include the use of the resources of these policy areas, namely the structural funds, research programme or funds for rural development. These resources are far bigger than those directly allocated to the environment, public health and food safety. One has to bear in mind, however, that at the same time environmental measures would have to compete with other actions, such as employment policy measures, for the same funds at the national and regional level. The fundamental question thus remains: are the resources that are proposed in the new financial perspectives sufficient to respond to all the foreseeable challenges, including further enlargement?

The current situation

In the field of environment, the expenditure is currently divided between six multi-annual programmes, the European Environment Agency and lines covering the Commission's activities (awareness raising, implementation, and development of new legislation).

LIFE Environment supports demonstration and pilot projects aimed at developing new approaches and methods for the protection of the environment. LIFE Nature supports the implementation of EU nature conservation policy and LIFE Third Countries provides funding for capacity building and promoting sustainable development in third countries.

Other programmes in the field of environment are considerably smaller. The Community Framework for Co-operation to Promote Sustainable Urban Development provides financial and technical support to networks of local authorities. The Community Action Programme promoting non-governemental organisations (NGOs) provides financial assistance for NGOs, which are involved in contributing to the development and implementation of Community environmental policy and legislation. The Forest Focus programme covers the monitoring and protection of forests against atmospheric pollution and fires. The framework for Community co-operation in the field of marine
pollution supports existing instruments for marine and coastal protection. The action programme and the Community Mechanism on Civil Protection support and supplement Member States' efforts to protect persons, environment and property in the event of natural and technological disaster.

In the field of public health, the financial means have been gathered under one single financial instrument since 2003. The present Public Health Programme will continue until 2008, but will possibly be revised to accommodate the implications of the new financial perspectives. The present programme aims to improve health information and knowledge, capability to respond rapidly to health threats of the population.

The newly established European Centre for Disease Prevention and Control (ECDC) will be fully operational within two years. Its main task is to identify, collect information and assess emerging threats to human health from communicable diseases.

There is no special programme on food safety at the moment. The focus is on legislation and the risk assessment carried out by the European Food Safety Authority EFSA.

The future - Financial Perspectives for 2007-2017

From the Environment Committee's point of view, the proposal for the new Financial Perspectives contains a number of important issues. It reorganises the structure of headings, puts emphasis on the European approach and seeks synergy between policy areas.

Environment is placed under heading 2 together with agriculture and fisheries. In principle, a combination of agricultural, fisheries, environmental and food safety policy (veterinary and phytosanitary measures) under one heading, "Preservation and Management of Natural Resources", is desirable. While the Commission proposal relies heavily on mainstreaming environmental action into other policy areas, it maintains a separate instrument for actions of a uniquely environmental nature. The LIFE+ programme is to replace all the present programmes (Civil Protection excluded) and contribute to the development, implementation, monitoring and evaluation of EU environment policy and legislation during the whole period. LIFE+ would also finance activities under NATURA 2000 in those cases where funding from other sources, such as rural development or the structural funds, could not be drawn.

The programme on Civil Protection would continue to be funded separately under Heading 3 ("Citizenship, freedom, security and justice"), under a special solidarity and rapid reaction instrument. It would be part of the overall preparedness plan with the aim to prevent and/or minimise the effects of major disasters.

In the future, all the present environmental activities outside the EU (like all external aspects of internal policies) would be funded from Heading 4, external actions ("The EU as a global partner").

Public health and food safety, notably the support for the EFSA, are placed under Heading 3, together with justice and home affairs and culture. There will be a new public health programme, which will be part of an integrated public health and consumer policy programme, with a considerably larger budget than at present to cover the excessive demand as well as the impact of enlargement and also to allow the widening of the scope of the programme. In the field of food safety, new measures are being prepared, such as the introduction of food and feed safety mechanism, a system for better control of imports from third countries and the expansion of the current rapid alert system to third countries. These measures would fall under Heading 2 (FEOGA).
SUGGESTIONS

The Committee on the Environment, Public Health and Food Safety calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Welcomes the Commission proposal for the new Financial Perspectives and the aim to use the full potential of the EU by increasing effectiveness, efficiency, transparency and synergy in Community policies;

2. Points out that environment, public health and food safety are not only policy areas close to citizens' interests and their everyday life but also factors which contribute to the attainment of the Lisbon and Gothenburg objectives; therefore emphasises that environmental aspects and impacts have to be fully taken into account in financing policies under Heading 1, "Sustainable growth", although the precise policy area of environment is placed under Heading 2, "Sustainable management and protection of natural resources";

3. Is strongly in favour of mainstreaming environment and health policies into other policy areas, such as transport, energy, agriculture, fisheries and regional policy, but stresses that this should not be used as an excuse to reduce the funding of the necessary individual environment and health programmes, and must not distort the specific objectives of such programmes;

4. Considers that in view of further enlargement, the level of financing provided by the current Financial Perspectives for the environment, public health and food safety will not be sufficient for the future term 2007-2013; points out that in these policy areas in the further enlarged EU, common objectives will not be attained without substantial financial support for new Member States;

5. Supports the creation of a single financial instrument for the environment (LIFE+ with an additional nature protection component), but calls for a careful assessment of the future financial needs, especially taking into account that the proposal incorporates financing of regular preparatory work into the framework of LIFE+;

6. Draws attention to the increasing international commitments of the European Union in the field of the environment; calls on the Commission, therefore, to ensure sufficient funding for international cooperation and support for third countries in achieving commonly agreed goals in the field of the environment within the instruments for external actions; calls for the necessary financial support to carry out environmental cross-border cooperation both within the EU and with the neighbouring countries; recommends the addition of a thematic instrument on Environmental External Action to provide funding linked to EU environmental diplomacy priorities, for example as regards climate policy efforts and multinational environmental agreements;

7. Is concerned about the plans to finance Natura 2000 almost exclusively through the structural and rural development funds, because that would leave the final decisions on the funding of individual networks to Member States; is of the opinion that not even the ringfencing of the structural and rural development funds will provide the best solution; remains convinced that a separate fund for Natura 2000 or an increased LIFE+ fund should be the preferred option; fears that important ecosystems would not be adequately covered financially; considers the integration of Natura 2000 in the fisheries fund as feasible with corresponding earmarking; strongly recommends that Natura 2000 is clearly earmarked in the rural development and structural
funds, with specific provision for measures for the conservation of important species and natural habitats; consequently, calls at least for:

- the release of structural funding conditional upon adequate national Natura 2000 financing plans, as stipulated in the Communication on the Financial Perspective;

- an objective under the rural development fund dedicated only to Natura 2000, accompanied by a minimum percentage to be spent on this objective, as has been done for other objectives under rural development; and for this additional priority to be reflected by increased funding for rural development;

8. Stresses the importance of environmental NGOs in the development and implementation of environment policy, in particular in new Member States and third countries;

9. Supports the idea of creating an additional action programme in the EU competitiveness and innovation framework programme to enhance innovation in terms of the Lisbon and Gothenburg strategies in areas such as new environmental technologies and environmental research;

10. Considers that, as soon as is feasible, the two pillars of the CAP budget should be merged into one simplified funding mechanism for rural Europe supporting environmentally friendly farming practices and other rural activities;

11. Welcomes the plans to increase the funding of the Health Action Programme so that it can better address the concerns and wishes of citizens and give room for future enlargement to countries where health scourges are more imminent than in the present Member States;

12. Considers it essential that budgetary resources should be earmarked for supporting medical research, in order both to encourage innovation and to develop new antibiotics against known diseases such as influenza that can combat the new resistances of these pathogens;

13. Considers food safety as a priority area, where efficient measures and co-operation at Community level can bring real added value; calls for adequate funding for the measures to improve food and feed safety, such as veterinary co-operation to prevent and combat animal diseases, adequate controlling of imports from third countries in quantitative and qualitative terms, and exporting the existing rapid alert system to third countries;

14. Calls for an additional heading or sub-heading for the decentralised agencies; points out that the funding of the agencies, especially as regards the European Medicines Agency (EMEA), the European Food Safety Authority (EFSA), the European Environment Agency (EEA) and the European Centre for Disease Control (ECDC), should be consistent with the tasks assigned to them and put into effect in the work programme; consequently, the agencies need to have sufficient funding in order to implement their work programmes; expects the agencies to carry out all internal procedures in line with the Staff Regulations;

15. Supports the idea of pooling resources and expertise at EU level in order to get real value for money, for example in prevention and preparedness plans for various crisis situations; suggests that the new solidarity and rapid reaction instrument should cover natural disasters, such as floods, as well as prevention and minimisation of the effects of bioterrorism;

16. Points out that the proof of all Community legislation is in its implementation; calls for adequate resources for measures to enhance the correct implementation of Community policies.
ANNEX

Correspondence between the current Financial Perspective and the new structure proposed for the 2007-2013 Financial Perspective *

<table>
<thead>
<tr>
<th>NEW EXPENDITURE HEADINGS **</th>
<th>2004 budget ABB structure</th>
<th>Headings of current FP**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SUSTAINABLE GROWTH</td>
<td>(1)</td>
<td>(3)</td>
</tr>
<tr>
<td>1.a. Competitiveness for growth and employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EDUCATION &amp; TRAINING (excl. culture)</td>
<td>15 (Education &amp; Culture)</td>
<td>3</td>
</tr>
<tr>
<td>RESEARCH (including research from ENTR, TREN &amp; FISH)</td>
<td>08 (Research) &amp; 10 (Direct Research) research from 02 (Enterprise), 06 (Energy &amp; Transport) &amp; 11 (Fisheries)</td>
<td>3</td>
</tr>
<tr>
<td>INFORMATION SOCIETY (excl. cTENs)</td>
<td>09 (Information Society)</td>
<td>3</td>
</tr>
<tr>
<td>ENTERPRISE (excluding research)</td>
<td>02 (Enterprise) excl. research</td>
<td>3</td>
</tr>
<tr>
<td>INTERNAL MARKET</td>
<td>12 (Internal Market)</td>
<td>3</td>
</tr>
<tr>
<td>COMPETITION</td>
<td>03 (Competition)</td>
<td>3</td>
</tr>
<tr>
<td>ECONOMIC AND FINANCIAL AFFAIRS (excl. loan guarantee reserve &amp; macrofinancial assistance)</td>
<td>01 (Economic and Financial Affairs)</td>
<td>3</td>
</tr>
<tr>
<td>TAXATION AND CUSTOMS UNION</td>
<td>14 (Taxation and Customs Union)</td>
<td>3</td>
</tr>
<tr>
<td>STATISTICS</td>
<td>29 (Statistics)</td>
<td>3</td>
</tr>
<tr>
<td>ENERGY AND TRANSPORT (excl. research)</td>
<td>06 (Energy &amp; Transport) excl. research</td>
<td>3</td>
</tr>
<tr>
<td>INFORMATION SOCIETY (excl. research)</td>
<td>09 (Information Society)</td>
<td>3</td>
</tr>
<tr>
<td>EMPLOYMENT &amp; SOCIAL AFFAIRS (expenditure under current heading 3 'internal policies')</td>
<td>04 (Employment and Social Affairs)</td>
<td>3</td>
</tr>
<tr>
<td>Other (a)</td>
<td>20 (Trade), 24 (Fight against Fraud) &amp; 25 (Commission's policy coordination and legal advice)</td>
<td>3</td>
</tr>
<tr>
<td>1. b. Cohesion for growth and employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REGIONAL POLICY - FEDER, interreg</td>
<td>13 (Regional Policy)</td>
<td>2</td>
</tr>
<tr>
<td>REGIONAL POLICY - Cohesion Fund</td>
<td>13 04 (Cohesion Fund)</td>
<td>2</td>
</tr>
<tr>
<td>EMPLOYMENT AND SOCIAL AFFAIRS</td>
<td>04 (Employment and Social Affairs)</td>
<td>2</td>
</tr>
<tr>
<td>AGRICULTURE (part of LEADER)</td>
<td>05 04 (Rural Development)</td>
<td>2</td>
</tr>
<tr>
<td>2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ENVIRONMENT (excl. external dimension)</td>
<td>07 (Environment)</td>
<td>3</td>
</tr>
<tr>
<td>AGRICULTURE - incl. measures under current heading 3 and rural development of which (operational expenditure only):</td>
<td>05 (Agriculture)</td>
<td>1a</td>
</tr>
<tr>
<td><em>market measures</em></td>
<td>05</td>
<td></td>
</tr>
<tr>
<td>rural development</td>
<td>05</td>
<td>1b</td>
</tr>
<tr>
<td>rural development+ part of LEADER</td>
<td>05</td>
<td>2</td>
</tr>
<tr>
<td>forestry and 'controls and inspections'</td>
<td>05</td>
<td>3</td>
</tr>
<tr>
<td>HEALTH &amp; CONSUMER PROTECTION (animal health, animal welfare and plant health)</td>
<td>17 04 (Food safety, animal health, animal welfare and plant health)</td>
<td>1a</td>
</tr>
<tr>
<td>FISHERIES (excl. research)</td>
<td>11 (Fishes) excl. research</td>
<td>1a</td>
</tr>
<tr>
<td>of which (operational expenditure only):</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td><em>market measures</em></td>
<td>11</td>
<td>1b</td>
</tr>
<tr>
<td>structural interventions</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>governance and 'controls and inspections'</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>fisheries international</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>NEW EXPENDITURE HEADINGS **</td>
<td>2004 budget ABB structure</td>
<td>Headings of current FP**</td>
</tr>
<tr>
<td>3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>CULTURE</td>
<td>15 (Education and Culture)</td>
<td>3</td>
</tr>
<tr>
<td>EMPLOYMENT &amp; SOCIAL AFFAIRS - fight against discrimination and gender equality</td>
<td>04 04 (Promoting an inclusive society)</td>
<td>3</td>
</tr>
<tr>
<td>JUSTICE &amp; HOME AFFAIRS</td>
<td>18 (Area of Freedom, Security)</td>
<td>3</td>
</tr>
</tbody>
</table>
HEALTH & CONSUMER PROTECTION (excl. animal health, animal welfare and plant health) and Justice)  
17 (Health and Consumer Protection) (excl. 17 04 (Food safety, animal health, animal welfare and plant health)) 3

PRESS & COMMUNICATION  
16 (Press and Communication) 3

ENLARGEMENT -Transition facility (institution building)  
22 03 Transition facility for institution-building measures after accession 3

SOLIDARITY FUND (p.m.)

4. THE EU AS A GLOBAL PARTNER

EXTERNAL RELATIONS 19 (External Relations)

of which (operational expenditure only):  
"external relations" 19 4

"aid to the victims of human rights violations" 19 3

AGRICULTURE (SAPARD) 05 4

REGIONAL POLICY (ISPA) 13 7

TRADE 20 4

DEVELOPMENT & COOPERATION WITH ACP COUNTRIES 21 4

ENLARGEMENT (excl. transition facility) 22 excl. 22 03 7

HUMANITARIAN AID 23 4

EUROPEAN DEVELOPMENT FUND (Outside the EU budget in 2004) [21]

ECFIN - Loan guarantee reserve 01 04 01 13 6

ECFIN - macrofinancial assistance 01 4

RESERVE - Emergency aid reserve 31 6

Other (b) 06, 07, 14 & 15 4

5. ADMINISTRATION **

ADMINISTRATIVE EXPENDITURE - other institutions 5

Pensions 30 5

European Schools 26 01 50 5

TOTAL (incl. compensation) thirty-one policy areas

TOTAL COMMISSION

Compensation 8


* * In the current FP structure the Commission administrative expenditure, together with the other institutions, is included in the separate heading 5. As proposed in the COM(2004) 101 final, the Commission administrative expenditure is to be included in the relevant policy area. In this table, the Commission administrative expenditure under the current heading 5 (EUR 2 846 469 262) is broken down by policy areas in line with the proposed new approach. Administrative expenditure concerning administrative 'horizontal' Commission services (Audit, Administration, Budget, Policy Coordination) has been broken down as 'overheads' in proportion to the administrative expenditure directly related to each of the remaining policy areas, on the basis of the PDB 2004. One exception concerns the policy area PENSIONS, which (together with expenditure for the European Schools) remains under the re-defined heading 'Administration'.

(a) Includes specific actions related to fight against fraud, trade, public procurements procedures, and Prince (information on the future of Europe).

(b) Includes external dimension of internal policies (education, environment, taxation & customs union, energy & transport, justice & home affairs).

Source: FINP Working Document 2 by Mr Böge of 21 October 2004 (DT\545322EN, PE 349.838)
### PROCEDURE

<table>
<thead>
<tr>
<th>Title</th>
<th>Policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure number</td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td>Committee responsible</td>
<td>FINP</td>
</tr>
<tr>
<td>Committee asked for its opinion</td>
<td>ENVI</td>
</tr>
<tr>
<td>Date announced in plenary</td>
<td>15.9.2005</td>
</tr>
<tr>
<td>Enhanced cooperation</td>
<td>No</td>
</tr>
<tr>
<td>Drafts(wo)man</td>
<td>Jutta D. Haug</td>
</tr>
<tr>
<td>Date appointed</td>
<td>1.9.2004</td>
</tr>
<tr>
<td>Discussed in committee</td>
<td>24.11.2004</td>
</tr>
<tr>
<td>Date suggestions adopted</td>
<td>3.2.2005</td>
</tr>
</tbody>
</table>
| Result of final vote | for: 50  
against: 0  
abstentions: 3 |
| Substitutes present for the final vote | Margrete Auken, Maria del Pilar Ayuso González, Christofer Fjellner, Milan Gaša, Umberto Guidoni, Jutta D. Haug, Erna Hennicot-Schoepges, Karsten Friedrich Hoppenstedt, Karin Jöns, Miroslav Mikolášik, Alojz Peterle, Renate Sommer, Andres Tarand |
| Substitutes under Rule 178(2) present for the final vote | Ioannis Gklavakis |
3.2.2005

OPINION OF THE COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY

for the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013 (2004/2209(INI))

Draftsman: Paul Rübig

SUGGESTIONS

The Committee on Industry, Research and Energy calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

Industry, Enterprise and Lisbon Process

1. Believes that the Financial Perspectives should provide the main framework for financing the Lisbon Agenda in order to increase Europe's competitiveness and innovation; is of the view that this approach does not depend only on European Union spending, but should also involve own resources, parts of which could be raised through a revision of existing EU anti-dumping measures and legal instruments, as well as through service fees which are currently collected by Agencies of the European Community, but not yet transferred to the EU budget;

2. Believes that the money earmarked for Research and Innovation, along with the emphasis on growth for SMEs, is one possible system of expenditure which will deliver long-term and sustainable growth;

3. Believes that sustainable economic growth is necessary in order to preserve the European Social Model;

4. Welcomes the integrated approach of the proposed framework programme for innovation and competitiveness; reiterates its view that priority should be given to the promotion of the competitiveness and innovation of European enterprises, especially through:

(a) improved access for SMEs to Community financial instruments and in particular to the various sources of financing investment,

(b) further development of the information society as proposed by the European Commission (i.e. secure electronic networks and modernised services through the use of ICT),
(c) development and promotion of international standards for ICT and mobile telecommunication technology (e.g. 3G),

(d) monitoring the implementation of the electronic communications legislative framework and support EU benchmarking activities in the field of eEurope action plan initiatives, putting into practice the action plan to promote entrepreneurship, in particular by developing local production clusters and networks of businesses in order to encourage innovation within craft industries and small and medium-sized enterprises (SMEs);

5. Remains, however, concerned that previous innovation and competitiveness programmes have failed to deliver the necessary link between fundamental research and industrial innovation; considers that the establishment of awareness campaigns at both European and national level, is of the utmost importance to the successful promotion of European competitiveness and innovation;

Access to Finance

6. Supports in principle the pro-active approach foreseen by the proposed Growth Adjustment Fund; however, finds that the Communication falls short of a concrete proposal as to whether such a Fund should be consolidated in one single instrument with well-defined scope, actions and priorities, including specific mention of the existing programmes to be included; stresses that such an instrument should contribute to implementing the Lisbon process both at regional and local level; also, asks for the European Parliament to be fully involved in the decision-making procedure;

7. Considers that a more adequate budget must be earmarked for occupational training and lifelong training programmes so as to encourage the skills of innovation and entrepreneurship; calls for the establishment of a European status for apprentices and wishes budgetary resources to be set aside for the creation of an Erasmus programme for young workers, trainees and apprentices, in order to increase the number of mobility projects;

Research and Development

8. Fully agrees with the European Commission that the European research effort justifies doubling, in terms of a ratio between the research budget and the GDP of the EU-25, the resources devoted to it at Community level through the 7th RTD Framework Programme; further believes that a significant boost at national level is needed with a proper balance between public and private financing; stresses that the target established at the 2002 Barcelona European Council for an increase in R&D expenditure to 3% of EU GDP by 2010 must be factored into the next financial perspectives; considers that the open method of coordination of policies between Member States is a useful tool and so should be strengthened; calls on the Member States and the Commission to make greater use of the Structural Funds and Cohesion Funds, as well as all other possible sources of funding, for R&D infrastructure; stresses the importance of taking full advantage of the financing possibilities that the European Investment Bank offers for research and innovation; calls on the Member States and the Commission to recognise that particularly in the new Member States, there may be structural barriers to scientists accessing European Funding; considers that the Commission should therefore coordinate the structural funds and the 7th Framework Programme (FP7) to ensure their accessibility to all 25 Member States; believes that FP7 builds on the achievements of its predecessor towards the creation of the European Research Area, and carries them further by developing the knowledge economy and society in Europe;
9. Calls on the Barroso Commission to steadfastly pursue the establishment of the European Research Area, and regards the Commission's proposals concerning the 2007-2013 Financial Perspectives in the field of research and technological development as an essential minimum basis if there is to be any serious prospect of achieving the Lisbon objectives within the timeframe laid down;

10. Stresses that the cost and effort of establishing the research infrastructures capable of strengthening the EU’s centres of competitiveness fully justify the projects' being coordinated at European level; calls for the establishment of a European policy on research infrastructures, also including international cooperation so as to permit additional funding from third countries;

11. Finds that the Commission's initial approach to FP7 is appropriate and expects to work closely with the Council and the Commission in defining the thematic priorities to be funded within the six types of action identified by the Commission; expects more clarification with respect to the "avenues" for the management of research policy outlined by the Commission; recognises the potential of both the new instruments ("Integrated Projects" and "Networks of Excellence") and the traditional instrument of "Specific Targeted Research Projects" for building trans-European research collaborations; calls for continuity between the 6th and 7th Framework Programmes and for the maintenance of the new and traditional instruments in an appropriate balance adapted to participants from innovative partners and smaller size players in general; supports the concept of "Technology platforms" as a means to foster effective public-private partnerships between the main stakeholders including social partners around key technologies and helping to convert the results of public research into commercially applicable industrial goods or services, provided that they are implemented initially on a pilot basis and are periodically subject to benchmarking by the Commission and evaluation by high-level expert teams in order to assess their contribution to research and their cost-benefit balance; is of the view that excessive bureaucracy has to be reduced in FP7 and that sufficient funds must be provided to ensure the appropriate involvement of SMEs in research activities; finds that important criteria for the definition of thematic areas are their relevance for the scientific and industrial base in Europe as well as their potential for future development;

12. Recalls that, in most SMEs, innovation is founded on available technology, employee qualifications and the ability to gain access to knowledge; therefore, considers that for cooperation between SMEs, universities and research centres to be stimulated by programmes for the creation of incubators, technology centres and skill centres, it would be useful to establish a network of mediators for small businesses in the field of innovation and technology;

13. Supports the recommendation of the Kok report for the creation of an independent European Research Council with a view to fostering scientific excellence by competition between teams of researchers selected solely on merit by the peer review system;

Energy

14. Stresses the contribution of the energy sector to sustainable development; especially recalls the importance of transferring and developing the existing instruments (e.g. the Intelligent Energy Programme) across the enlarged European Union and the candidate countries; stresses the need for European action and funding to ensure that Europe's energy supply is delivered across national frontiers and to develop renewable energy and clean fuel; therefore asks for a specific budget line dealing with the Intelligent Energy Programme, which will provide for a substantial contribution at a level which will help to fulfil (a) the priorities of the new Energy Commissioner, Mr Piebalgs, as far as energy conservation, energy efficiency and renewables are concerned and (b) the Parliament's targets of 20% renewables by 2020 and 2.5% annual
reduction in final energy intensity; underlines the need to develop renewable energy and clean fuel by giving priority to Community funding through, inter alia, the future Regional Development Fund and Cohesion Fund as well as FP7; stresses the need to develop energy efficiency; at the same time asserts that it is important to continue exploiting the environmentally friendly and effective energy produced by nuclear power;

15. Welcomes the intention of the Commission to set up a multiannual programme for energy TENs that would include a contribution to construction; welcomes the creation of a specific budget line to provide for adequate additional financial assistance to support specific decommissioning efforts beyond 2006 in Lithuania, Slovakia and, eventually, Bulgaria under the heading "Conservation and Management of Natural Resources", accepts the specific budget line on the clear assumption that it could be revisited or terminated if the relevant Member States are not fully fulfilling their commitments, in particular as regards closure dates, and on the assumption that no distortion of the internal market will be caused by these measures; stresses that there should be a greater involvement of the European Investment Bank in project financing through the European Investment Fund's programmes for SMEs, considers that the requirements for PPPs (Public Private Partnerships) in some Member States should also be either improved or modified; supports the Commission's proposal to establish a peer review system amongst national nuclear regulatory authorities, and, moreover, asks the Commission to present proposals to implement control missions for nuclear safety with a new organisation of the EURATOM security control, radiation protection and nuclear safety using a peer review system by national nuclear regulatory authorities;

16. Recalls that infrastructure is an essential element of research policy in the nuclear field and stresses, in view of the obsolescence of the existing installations, that infrastructure renewal should be a priority of nuclear fission research in Europe;

17. Recalls that the European Union is the legitimate candidate to become the home of the ITER reactor in Cadarache; considers it essential, in order for this project to succeed, to proceed with the “Accompanying programmes” in the field of nuclear fusion, both for the construction and exploitation of existing infrastructure and for the creation of new research instruments;

Space Policy

18. Considers the proposal of the Commission to address the European satellite navigation system in a separate legal instrument, with its own legal base and endowed with Community funding, desirable for future phases of its development;

19. Since a European Space Policy is now provided for in the Treaty establishing a Constitution for Europe, with its own legal base (Art. III-254), and since the Commission is invited to develop a European Space Programme, strongly supports increased EU spending in space activities proportionate to this political priority; considers that due to its highly technological and innovative content and its international dimension, the European Space Programme should establish a link between fundamental research and industrial applications, with a view to strengthening the competitiveness of the European space industry and positioning Europe as a global partner in this field.
<table>
<thead>
<tr>
<th><strong>PROCEDURE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title</strong></td>
</tr>
<tr>
<td><strong>Procedure number</strong></td>
</tr>
<tr>
<td><strong>Committee responsible</strong></td>
</tr>
<tr>
<td><strong>Committee asked for its opinion</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Enhanced cooperation</strong></td>
</tr>
<tr>
<td><strong>Drafts(woman)</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Date suggestions adopted</strong></td>
</tr>
<tr>
<td><strong>Result of final vote</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Members present for the final vote</strong></td>
</tr>
<tr>
<td><strong>Substitutes present for the final vote</strong></td>
</tr>
<tr>
<td><strong>Substitutes under Rule 178(2) present for the final vote</strong></td>
</tr>
</tbody>
</table>
18.3.2005

OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION

for the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013

on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013
(2004/2209(INI))

Draftsman: Phillip Whitehead

SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

A. whereas the mandate of the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013 requires that the political priorities for the future Financial Perspective be reflected in both legislative and budgetary terms,

B. whereas the Internal Market, the cornerstone and foundation of today's Union, which has created 2.5 million new jobs since 1993 and generated economic growth of more than 800 billion euro in the same period, should be further strengthened to ensure that the accession of the new Member States is as successful as possible and provides the fullest economic benefits to the Union as a whole,

C. whereas Consumer Protection policy has undergone a significant transformation, reflecting a shift in the needs and expectations of citizens, and is a necessary adjunct to the functioning and deepening of the Internal Market, stimulating consumer confidence in cross-border transactions,

D. whereas the Customs Union is essential to the operation of the Internal Market and requires a strategic approach, taking account of major changes and threats, such as the increase in organised crime, smuggling and fraudulent activities,

E. whereas better co-operation between Member States' administrative authorities has been identified as a key factor in the smoother functioning of the Internal Market and vital for more effective implementation of European legislation, leading to enhanced business and consumer confidence,

1. Welcomes the inclusion of Internal Market policies under Heading 1 of the proposed financial framework;
2. Considers that, in view of the strong link between the smooth functioning of the Internal Market on the one hand and coherent and efficient consumer policies on the other, it would be logical to include Consumer Protection policy under the same heading;

3. Considers that, to achieve the political ambition of the financial framework, the financial means committed, and the human resources allocated, need to be appropriate and commensurate with the objectives sought;

4. Accordingly, calls on the European Commission to make fuller use of re-deployment as a means of allocating staff to priority areas, taking into account the fact that certain departments working in the field of consumer protection are understaffed and lack resources;

5. Considers that enhancing co-operation between Member States' administrative authorities and building up appropriate structures to facilitate such co-operation, in particular for the new Member States, is a key priority for the next period and should be reflected in budgetary terms;

6. Believes that best practice examples, such as the SOLVIT system, need to be fostered and that similar mechanisms should be identified for other sectors and policy areas;

7. Calls on the Commission, in the context of its Work Programme for the next period, to come forth with an early proposal regarding the most appropriate mechanism to provide a knowledge base on which to inform decisions on consumer policies;

8. Considers appropriate and adequate the indicative financial allocation designed to ensure a speedy implementation of the customs 2007 programme to promote efficient border management in an enlarged Union.

**JUSTIFICATION**

Under the proposed structure of the financial framework for the period 2007-2013 a common new heading called "Health and Consumer Protection, Culture and Citizenship" is foreseen. The goal of policies under this heading is ensuring access to basic goods and services by health and consumer programmes, which match citizens' expectations. The proposal envisages a total rise of 110 percent until 2013.

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>901</td>
<td>1004</td>
<td>1165</td>
<td>1304</td>
<td>1445</td>
<td>1595</td>
<td>1745</td>
<td>1895</td>
<td>10153</td>
</tr>
<tr>
<td>amounts in M €</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total per year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>indicative for consumer policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>increase %</td>
<td>11%</td>
<td>16%</td>
<td>12%</td>
<td>11%</td>
<td>10%</td>
<td>9%</td>
<td>9%</td>
<td>110%</td>
<td></td>
</tr>
<tr>
<td>annual amount</td>
<td>103</td>
<td>161</td>
<td>139</td>
<td>141</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>994</td>
<td></td>
</tr>
</tbody>
</table>

Given the rather small budget proportion for consumer policies whose indicative amount remains stable over the given period while the overall policy line doubles over the same period an increase of the original amount from 40 to 80 million euro has been proposed.

Based on the annual amount of the rather successful IDA programme a reasonable increase of the budget position is proposed.
The expenditure for a European body enhancing administrative co-operation are based on a light structure such as the European Anti-Drug Observatory since the mechanism as such is more important than the actual structure and thereby implied financial means.

As concepts realised for facilitating the Internal Market have proven to call for rather limited financial support no further increase seems to be necessary.

Recognising the enormous efforts by all Member States in preparation of the recent enlargement and in view of the proposed continuation of the Customs 2002 programme by the 2007 Customs programme the amount foreseen under heading 1a in this policy area is deemed responsive to the needs.
### PROCEDURE

<table>
<thead>
<tr>
<th>Title</th>
<th>Policy Challenges and Budgetary Means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure number</td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td>Committee responsible</td>
<td>FINP</td>
</tr>
<tr>
<td>Committee asked for its opinion</td>
<td>IMCO</td>
</tr>
<tr>
<td>Date announced in plenary</td>
<td>15.9.2004</td>
</tr>
<tr>
<td>Enhanced cooperation</td>
<td>No</td>
</tr>
<tr>
<td>Draftsman</td>
<td>Phillip Whitehead</td>
</tr>
<tr>
<td>Date appointed</td>
<td>23.11.2004</td>
</tr>
<tr>
<td>Discussed in committee</td>
<td>18.1.2005  1.2.2005  15.3.2005</td>
</tr>
<tr>
<td>Date suggestions adopted</td>
<td>16.3.2005</td>
</tr>
<tr>
<td>Result of final vote</td>
<td>for: 30  against: 0  abstentions: 0</td>
</tr>
<tr>
<td>Members present for the final vote</td>
<td>Charlotte Cederschiöld, Mia De Vits, Janelly Fourtou, Evelyne Gebhardt, Malgorzata Handzlik, Malcolm Harbour, Christopher Heaton-Harris, Anna Hedh, Anneli Jätteenmäki, Henrik Dam Kristensen, Alexander Lambsdorff, Kurt Lechner, Lasse Lehtinen, Toine Manders, Manuel Medina Ortega, Zita Pleštinská, Zuzana Roithová, Luisa Fernanda Rudi Ubeda, Heide Rühle, Leopold Józef Rutowicz, Andreas Schwab, József Szájer, Jacques Toubon, Barbara Weiler, Phillip Whitehead</td>
</tr>
<tr>
<td>Substitutes present for the final vote</td>
<td>Jean-Claude Fruteau, Benoît Hamon, Boguslaw Liberadzki, Joseph Muscat, José Ribeiro e Castro, Alexander Stubb</td>
</tr>
<tr>
<td>Substitutes under Rule 178(2) present for the final vote</td>
<td>Anja Weisgerber</td>
</tr>
</tbody>
</table>
9.2.2005

OPINION OF THE COMMITTEE ON TRANSPORT AND TOURISM

for the Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013

on the policy challenges and budgetary means of the enlarged Union 2007-2013
(2004/2209(INI))

Draftsperson: Etelka Barsi Pataký

SUGGESTIONS

The Committee on Transport and Tourism calls on the Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Takes it for granted that the Trans-European Network for Transport (TEN-T), the Galileo, the Marco Polo and the Transport Research and Development projects are central to:
   • attainment of the objectives agreed in the context of the Lisbon agenda,
   • the completion and effective functioning of the single market in the enlarged European Union,
   • the enhancement of economic and social cohesion through the provision of a homogenous, integrated transportation network, especially through the integration of the new Member States' networks and improved connections with outlying and island regions,
   • the integration of environmental legislation and the principles of sustainable development into the transport sector in accordance with Article 6 of the Treaty,
   • attainment of the Gothenburg objectives, especially those for sustainable growth and environmental protection and that of decoupling the expectation of economic growth from growth in transport volumes,
   • increasing transport safety,
   • ensuring public transport services.

2. Notes in this context that European Union expenditure on these projects provides real added value since it acts as a catalyst for Member State and private sector expenditure on certain transport infrastructure projects; regards early project definition (possibly in 2005) and long-term EU financial commitment as essential preconditions to calling on the Member States with regard to their co-financing commitments and on potential private sector financial partners to involve themselves in Public Private Partnerships (PPP) in aid of the continuous implementation of TEN-T projects.

3. Draws particular attention to the need to realise all 30 TEN-T priority projects which are indivisible parts of the same network; reiterates the importance of an integrated transportation network in the newly unified Europe; emphasises that TEN-T investment is necessary to ensure that the full beneficial effects be gained from the most recent enlargement and that the EU is
prepared for future enlargements; requires action at EU level in order to ensure that the Commission does not grant any EU co-financing until international treaties necessary for the definition and realisation of transborder sections are signed by the Member States involved in each transnational section of each TEN-T project.

4. Stresses that it will become increasingly important to focus on monitoring and evaluating the success of EU transport policies in general and of the new agencies in particular; furthermore, calls for greater attention to be devoted to finding innovative ways to attract private sector investment.

5. Points out that two necessary conditions for proceeding with the Galileo project have now been met: interoperability and a management structure that makes it possible to move on to the project’s deployment and exploitation phase; points out that the policy of installing the global infrastructure for radio navigation and satellite positioning, according to plan, must now be implemented;

6. Urges the European Union to be aware of all the implications of the glaring shortfall in implementation of the main high-priority TEN-T projects as defined in Decision No 1692/96/EC1, last amended by Decision No 884/2004/EC2; recalls the Commission's view that carrying out the main high-priority projects alone will require an investment of EUR 220 billion between now and 2020, while construction of all the infrastructure provided for in these Decisions will require an investment of EUR 600 billion between now and 2020;

7. Notes that the Marco Polo I programme has proved very successful; points out that providing additional resources for the Marco Polo II programme is the logical consequence of this success;

8. Notes with concern that the total sum of EUR 20.35 billion earmarked for TEN-T seems to represent an average EU contribution of only 14.5% per project; further notes that EU funding of some of these projects can be as much as 15%, 30% or even 50% of total cost, according to proposals from the Commission, but that to reach this level of funding further EU funds should be made available; reiterates that, since 80% of the major projects up to 2020 concern transport other than road transport, for which long-term investment is needed, private sector funding is unlikely; calls, therefore for the amount proposed for TEN-T to be regarded as a minimum which can only be subject to upward revision, should a new Financial Perspective be agreed.

9. Points to the new needs in terms of priority investment in transport infrastructure which could arise between now and 2013 following the probable enlargement of the Union to include at least 3 more States (Bulgaria, Romania and Croatia); recalls also that the European Union has begun exploratory discussions with neighbouring States on the subject of transport infrastructure and has set up a working party on the subject, which has yet to announce its conclusions;

10. asserts that the TEN-T priority projects are projects of common interest and that, therefore, the realisation of these projects must not solely depend on the co-financing ability of the individual Member States; further to the suggestions set out in the Green Book on Public Private Partnerships, calls on the Commission to develop concrete proposals (such as a revolving guarantee fund) for enhancing co-financing by Member States and private actors in order to complement the low EU contribution; insists on rapid approval of the directive on charging

---

heavily goods vehicles for the use of certain infrastructure (the ‘Eurovignette’ directive) so as to encourage the involvement of private actors in the funding of TEN-T projects.

11. In line with the recommendation of the Van Miert group, calls for the creation of a High Level Group to monitor the realisation of TEN-T projects and to make revisions to the list of priority projects in view of progress and available funding; considers that projects with cross-border sections should be given priority in this process; insists on the need to push forward all 30 projects and, with this in mind, calls on the Commission to appoint European coordinators to resolve possible bottlenecks.

12. Recalls the importance of the Cohesion and Structural Funds to the realisation of TEN-T projects but also to other transport infrastructure projects in countries and regions where transport infrastructure is seriously underdeveloped; stresses that funding from these instruments is limited, since not all countries and regions are eligible and because of the 4% cap, and therefore requests that funding for priority TEN-T projects be excluded when calculating the 4% cap.

13. Underlines the strategic importance of transport networks for the EU in its relations with candidate and pre-candidate countries in the development of the EU’s neighbourhood policy; notes that, in this as in other areas, the interconnection of transport networks underpins the development of trade and investment and thereby promotes sustainability and stability and also social, economic and geographical cohesion; calls for adequate funding for the development of transport interconnections and common infrastructure shared with these countries.

14. Stresses the importance of increasing the budget for the Marco Polo programme in order to reduce road congestion undermining the productivity of the EU economy; notes that market-oriented programmes are important for encouraging industry, including SMEs, to invest in multimodal freight logistics for the management of supply chains; with reference to the objectives set out in the White Paper on Transport Policy 2010, recalls the urgent need to restore the balance between transport modes and/or to avoid transportation in order to achieve a sustainable transport policy.

15. Reiterates the important role that the new transport agencies for air, sea and rail transport play in the co-ordination of administration and the effective implementation of EU law and policies; notes in particular the agencies' responsibilities for transport safety and their contribution to environmental protection; therefore insists that adequate provision for their funding be provided for in the Financial Perspective under heading 5 in order that their respective responsibilities as recently established by law can be fully discharged.

16. Insist that adequate funding be provided at the appropriate time for the Galileo project on account of its strategic importance, its cost-effectiveness and its high European added value potential, on account of the benefits which it can bring to such important sectors of the economy as agriculture and fisheries, to the environment and to external relations and development, and on account of the fact that it is crucial to attaining transport policy objectives such as safety, interoperability and intermodality, the use of new technologies, improved logistics and the transition to more sustainable forms of transport; calls for the creation of a specific budget line with a sum of at least EUR 1 billion to fund the deployment and commercial operation phase of the Galileo programme, with the funding conditions to be set out in a forthcoming Regulation of the European Parliament and the Council (COD/2004/0156).

17. Supports the considerable increase in funding for research and development and emphasises the importance of research into sustainable surface transport in the hope of achieving greater
sustainability and safety as well as better interoperability and intermodality in the field of transport.

18. Recalls the importance of tourism to the European economy, to the European natural and cultural heritage and to particular countries and regions where it is an economic and social mainstay; draws attention to the significance which may be attached to the fact that tourism has been included in the text of the European Constitution in such a way as to create a legal basis for granting powers which the EU may use in order to engage in supporting, coordinating or supplementary activities relating to tourism; reiterates its concern that no budget line to assist in the development of tourism has been established to reflect this new challenge and insists that the Financial Perspective, in planning for the future, provide for adequate levels of EU support for tourism through the establishment of a dedicated budget line and for sustainable economic development and natural and cultural heritage protection through and for tourism, aided where appropriate by the Structural Funds and other funds; considers that, along with Objective 1 regions, Objective 2 regions could also be eligible for these funds; insists that projects to assist in the development of tourism be eligible for funding from the Growth Adjustment Fund, once it is created.

19. Insists that the new structure of the Financial Perspective with only five headings provide the necessary flexibility and allow sufficient room for manoeuvre in relation to unforeseen events; therefore expresses concern about the Commission's proposal for a new reallocation flexibility instrument and the creation of the Growth Adjustment Fund; insists that, since TEN-T projects are long-term infrastructural investments for which stability is crucial, if funds earmarked for transport projects are to be transferred to these instruments they be treated separately and be used only to fund transport projects, on risk of jeopardising the realisation of projects that are necessary to make Europe more competitive.

20. Considers that the decommitment of commitments under N+2 should be reviewed in the revision under the TEN financial instrument and that the possibility of introducing N+3 should be considered, albeit strictly limited to the cross-border elements of the TEN-T projects.
PROCEDURE

<table>
<thead>
<tr>
<th>Title</th>
<th>The policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure number</td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td>Committee responsible</td>
<td>FINP</td>
</tr>
<tr>
<td>Committee asked for its opinion</td>
<td>TRAN</td>
</tr>
<tr>
<td>Date announced in plenary</td>
<td>15.9.2004</td>
</tr>
<tr>
<td>Enhanced cooperation</td>
<td></td>
</tr>
<tr>
<td>Drafts(wo)man</td>
<td>Etelka Barsi Pataky</td>
</tr>
<tr>
<td>Date appointed</td>
<td>18.10.2004</td>
</tr>
<tr>
<td>Discussed in committee</td>
<td>24.11.2004 1.2.2005</td>
</tr>
<tr>
<td>Date suggestions adopted</td>
<td>2.2.2005</td>
</tr>
<tr>
<td>Result of final vote</td>
<td>for: 32 against: 9 abstentions: 4</td>
</tr>
<tr>
<td>Substitutes present for the final vote</td>
<td>Johannes Blokland, Zita Gurmai, Anne Elisabet Jensen, Francesco Musotto</td>
</tr>
<tr>
<td>Substitutes under Rule 178(2) present for the final vote</td>
<td>Garrelt Duin</td>
</tr>
</tbody>
</table>
OPINION OF THE COMMITTEE ON REGIONAL DEVELOPMENT

for the Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013 (2004/2209(INI))

Draftswoman: Constanze Angela Krehl

SUGGESTIONS

The Committee on Regional Development calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Considers that European regional policy is an indispensable tool for promoting social and economic cohesion, enabling the Union to undertake actions to reduce regional disparities, stimulate the sustainable development of the regions, their growth and competitiveness and employment, as well as to develop and promote its concept of a tolerant, caring society with a shared interest in solidarity; is convinced that joint action at European level is cost-effective, since it permits the realisation of economies of scale, the rationalisation of procedures and the pooling of resources, particularly in the context of cross-border cooperation; asserts that the existence of a strong, well financed European regional policy is a condition sine qua non of the Union’s ability to deal with successive enlargements;

2. Endorses the suggestions made by the Committee on Regional Policy, Transport and Tourism in its opinion of the 18 March 2004 on the Commission’s communication ‘Building our common future: policy challenges and budgetary means of the enlarged Union 2007-2013’\(^1\), and in particular:

- supports the level of investment in material and human capital which the Commission proposes in that communication in the context of cohesion for growth and employment, and particularly welcomes the Commission’s emphasis on strengthening human resources in order to improve the potential for growth and competitiveness;

- asks the Commission to set development targets and indicators along the lines of the conclusions of the Lisbon and Gothenburg European Councils and the results of the mid-term review, such targets and indicators to be measurable, concrete and practicable, to cover the economic, social and environmental dimensions, and to be a full part of regional and national programmes;

\(^1\) COM(2004)0101.
- calls, therefore, for the upper limit for the financial perspective to be established at 1.24 % of gross national income (GNI), as proposed by the Commission, in order to ensure that sufficient resources are available for the Regional and Structural Funds as well as for vital trans-European transport projects and soft location factors;

3. Stresses that the cohesion policy in an enlarged European Union will be required to meet enormous needs and that, therefore, 0.41% of the Union's gross national income must be the minimum level of funding;

4. Appreciates the financial effort made in favour of ultra-peripheral regions, but considers that in order to compensate for the difficulties which those regions encounter in accessing the internal market it must be borne in mind that ultra-peripherality is a constant which does not vary as a function of income;

5. Draws attention to the importance of supporting sparsely populated regions and of the special situation of island and mountain regions;

6. Welcomes the mainstreaming of URBAN and Equal, and the consequential increase in funding which will *inter alia* enhance the opportunities for cooperation between urban and regional authorities;

7. Notes that the Commission proposes that the ceiling on resources should remain at 1.24 % of GNI and agrees with the Commission that the proposed increase in the use of those resources, within the ceiling, is indispensable if the Union is to meet commitments and avoid increased public disappointment with Europe;

8. Observes that enlargement is an historic event of which we are all proud; stresses the need, however, for the financial cost of enlargement to be shared among all Member States in a fair and balanced manner in order to avoid the risk of the cost being borne only by the cohesion countries and the disadvantaged regions of the EU which have not yet completed the convergence process themselves;

9. Is aware that financial resources must be spent efficiently, but at the same time points out that the EU’s cohesion and structural policy has in past years made clear the European added value achieved and has always helped to acquire further financial resources in the regions; is aware, furthermore, that the accession to the EU of the ten new Member States in 2004 presents a new challenge to cohesion policy as a whole, and at the same time marks the beginning of a long process of cohesion;

10. Considers it essential to back the Commission's proposal to plan the financial perspective for a seven-year period, ending in 2013, because of foreseeable teething troubles in the new financing period as well as the necessity of programming Structural Fund projects on a multi-annual basis;
11. Points out that, for the first time in the context of the 2004 EU enlargement, regions are, for statistical reasons, falling outside the Objective-1 criteria; recognises that regions and Member States which have seemingly become richer - only for statistical reasons - demand our special attention, and strongly supports in this context the proposal by the Commission to set up a new financial instrument within the convergence objective for phasing out; stresses the necessity of keeping the current rules on state aid in these regions;

12. Welcomes the possibility, in particular under new priority 2, of encouraging innovative actions in the regions, which represent a key factor for realisation of the Lisbon objectives and for the progress of the European Union; supports priority 2 assistance and underlines the important position which the 'regional competitiveness and employment' objective occupies in the overall context of the Structural Funds;

13. Believes that regions which lose their status on account of non-statistical growth should benefit from a phasing-out instrument;

14. Calls upon the Commission to recognise the interplay of regional policy with competition policy in regions affected by the statistical effect and to include in its analysis the impact of the current and prospective State aid rules on the regions concerned;

15. Welcomes the creation of a Growth Adjustment Fund, which should permit the Union to take speedy and effective action to accelerate progress towards objectives the attainment of which is behind schedule; supports the Commission's view that the Community's commitment can make European assistance to address the specific problems of the regions concerned visible;

16. Recognises that there is a need for certain flexibility mechanisms, but takes the view that the latter must not have any effect on the political and quantitative priorities agreed in the financial perspective and must enable unexpected crises to be dealt with and must, consequently, be highly specialised in nature;

17. Notes that, in future, financial management of the Structural Funds will be more proportional and decentralised, thus shifting more of the responsibility for good financial management to the Member States and regions and municipalities; encourages the Commission in its efforts to rationalise procedures, reduce administrative costs and speed up decisions; requires the Commission, however, to make sure by means of suitable instruments, such as the performance reserve, that European funding is used in accordance with Community guidelines and, in order to ensure transparency, to inform Parliament of any inadequacy identified in national or regional financial control procedures as well as of the measures it has taken to rectify the situation;

18. Points out that, from a regional policy perspective, the multiannual nature of financial planning and consequent planning certainty are indispensable for the regions and that the financial perspective instrument must not be thoughtlessly called into question by any European institution; calls on the Council to work intensively with Parliament towards taking a decision on the financial perspective, as soon as possible, to the benefit of the enlarged Union and the integration thereof;

19. Calls upon the Commission to quantify the requests made above and upon the Temporary Committee on the Policy Challenges and Budgetary Means of the Enlarged Union to take this increase into account in its final report;
20. Urges the Commission to ensure that any measures adopted do not cause the cohesion policy to be cut back in favour of other policies and to be aware that, although cohesion expenditure should be used in order to achieve sustainable development, competitiveness cannot be a substitute for convergence in the Member States; condemns those Member States which have sought to reduce the European ideal to a sterile discussion of 'money in/money out';

21. Calls on the Commission to ensure that the schedule is maintained and the new programmes for the cohesion and structural policy can begin in 2007 on schedule.
**PROCEDURE**

<table>
<thead>
<tr>
<th>Title</th>
<th>Policy challenges and budgetary means</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procedure number</strong></td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td><strong>Committee responsible</strong></td>
<td>FINP</td>
</tr>
<tr>
<td><strong>Committee asked for its opinion</strong></td>
<td>REGI</td>
</tr>
<tr>
<td><strong>Date announced in plenary</strong></td>
<td>15.9.2004</td>
</tr>
<tr>
<td><strong>Enhanced cooperation</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Draftswoman:</strong></td>
<td>Constanze Angela Krehl</td>
</tr>
<tr>
<td><strong>Date appointed</strong></td>
<td>29.9.2004</td>
</tr>
<tr>
<td><strong>Discussed in committee</strong></td>
<td>19.1.2005</td>
</tr>
<tr>
<td><strong>Date suggestions adopted</strong></td>
<td>1.2.2005</td>
</tr>
<tr>
<td><strong>Result of final vote</strong></td>
<td>for: 42</td>
</tr>
<tr>
<td></td>
<td>against: 2</td>
</tr>
<tr>
<td></td>
<td>abstentions: 3</td>
</tr>
<tr>
<td><strong>Members present for the final vote</strong></td>
<td>Alfonso Andria, Stavros Arnaoutakis, Elspeth Atwooill, Jean Marie Beaupuy, Bastiaan Belder, Rolf Berend, Jana Bobošíková, Graham Booth, Giovanni Claudio Fava, Gerardo Galeote Quecedo, Iratxe García Pérez, Eugenijus Gentvilas, Lidia Joanna Geringer de Oedenberg, Ambroise Guellec, Pedro Guerreiro, Gábor Harangozó, Konstantinos Hatzidakis, Alain Hutchinson, Carlos José Iturgaiz Angulo, Mieczysław Edmund Janowski, Gisela Kallenbach, Tunne Kelam, Miloš Koterec, Constanze Angela Krehl, Ioannis Matsis, Miroslav Mikołajik, Francesco Musotto, Lambert van Nistelrooij, Jan Olbrycht, István Pálfi, Markus Pieper, Francisca Pleguezuelos Aguilar, Bernard Poignant, Elisabeth Schroedter, Alyn Smith, Grażyna Staniszewska, Catherine Stihler, Margie Sudre, Salvatore Tarella, Kyriacos Triantaphyllides, Vladimir Železný</td>
</tr>
<tr>
<td><strong>Substitutes present for the final vote</strong></td>
<td>Philip Bradbourn, Simon Busuttil, Brigitte Douay, Mojca Drčar Murko, Richard Seeber, Thomas Ulmer</td>
</tr>
<tr>
<td><strong>Substitutes under Rule 178(2) present for the final vote</strong></td>
<td></td>
</tr>
</tbody>
</table>
JUSTIFICATION

Introduction

On 10 February the Commission presented a communication entitled 'Building our common Future: Policy challenges and Budgetary means of the Enlarged Union 2007-2013'\(^1\), followed on 14 July 2004 by a communication entitled 'Financial Perspectives 2007 - 2013'\(^2\). Both are general communications on the Financial Perspectives for the period 2007-2013. They are accompanied by more detailed legislative proposals in the various policy fields of the EU.

On 15 September 2004 the European Parliament decided to set up a temporary committee responsible for defining the European Parliament's budgetary and legislative political priorities, proposing a structure for the future Financial Perspectives in line with these priorities, estimating the financial resources for the period 2007-2013 and proposing an indicative allocation of resources. The committee will analyse, among other elements, the legislation currently in force, the new proposals for 2007 onwards, including the identification of positive and negative priorities per (sub-)heading, the possible margin and flexibility per (sub-)heading and the possibility to simplify the financial instruments.

Thus the debate on the future Financial Perspectives (FP) is more than just a debate on finance. It also concerns which tasks can be carried out more effectively by the EU and which by the Member States or regions. Only where added value can be gained through action at European level may a field of policy also have funding allocated to it. Furthermore, European action should be in line with the principles of subsidiarity, proportionality and efficiency.

Current budget and legislation in the field of agriculture and rural development

The common agricultural policy (CAP) was thoroughly reformed in 2003, and the support arrangements under the CAP were completely altered in the process. The new CAP takes greater account than its predecessor of the interests of consumers and taxpayers. Most aids are in future to be

---

\(^1\) COM(2004)0101.
paid irrespective of the volume produced, which means that farmers will be guided by the market in deciding what to produce. In order to ensure that production of particular crops does not cease, Member States may, under strictly defined conditions and within clear limits, continue to link aids to production to a certain extent. In future, the new single farm payments will be conditional on compliance with environmental, food safety and animal welfare standards. At the same time, farmers will be guaranteed a certain income stability. By reducing direct payments to the bigger farmers, more funding will be made available to farmers for environmental, quality or animal welfare programmes. In addition, most common organisations of the market have been revised (only a few have yet to be dealt with, such as those for the markets in sugar, fruit and vegetables, wine and bananas).

Thus vital elements of the reform are the decoupling of direct payments from production, compulsory eco-conditionality, compulsory modulation in favour of rural development, and a system to ensure financial discipline.

The agreement reached by the European Council in October 2002, in which the level of agricultural expenditure (market support measures and direct payments) until 2013 was decided (with an annual 1% index increase), was the general financial context in which the recent CAP reform took place. The financial framework agreed in Brussels in 2002 is very tight, because it freezes direct payments at their 2006 level. In 2006, however, payments to the ten new Member States will amount to only 30% of the standard level, which will be reached in 2014 by means of gradual increases.


The Commission proposes a new structure for the Financial Perspectives, based on five headings:

1. Promoting competitiveness and cohesion for sustainable growth
2. Conservation and management of natural resources
3. Citizenship, freedom, security and justice
4. The European Union as a global partner
5. Other administrative expenditure.

Agricultural policy, together with fisheries and environmental policy, falls under Heading 2 (see also the attached table).

**Analysis**

Chronologically, the communications from the Commission fit in very well with the radical reform of agricultural policy. As early as 2002, the financial frameworks until 2013 were decided at the Brussels Summit. Funding for market support measures and direct support was frozen at the 2006 level (with a 1% corrector for inflation), which will lead to a relative reduction in the proportion of the total EU budget accounted for by agriculture. Implementation of the Commission proposal would result in a reduction of 3.3% in absolute terms in the allocation to market support measures and direct payments. The share of these measures and payments in the total budget of the EU would fall from 36.2% to 26.7% and the total share of agriculture from 45.0% to 35.0% (see the table at the end of this document). This is despite the fact that the recent enlargement of the EU and the reform of the CAP have resulted in growing pressure on farm incomes and rural areas.

The implementation of the agricultural reforms will therefore mean that agriculture will be subjected to considerable restrictions on account of the financial discipline system (Article 11 of Regulation No 1782/2003). According to Commissioner-designate Fischer-Boel, the upper limits set in Brussels will
be exceeded - before application of the system - by approximately € 500 million from 2007, and the excess is expected to each € 950 million by 2013. However, the Commission does not indicate how it intends to solve this problem. Moreover, future reforms, including that of the sugar sector, may impose additional burdens on the budget. Your draftsman would consequently like to see these reforms reversed to a large extent in order to limit additional European budget expenditure. The Commission therefore seems to be attacking the Brussels agreement via the Financial Perspectives. The Commission remains unacceptably vague about how it intends to resolve these deficits.

- Does it intend to hand over tasks to the Member States? Your draftsman sees this as a possibility, in particular, in the field of rural policy and not in that of market and prices policy.
- Or will it increase the EU funding available in comparison with the figures in the proposals? Although this is your draftsman's preferred option, there are strong doubts as to the feasibility of persuading the Council to adopt the same position.
- Will it make use of the proposed extra flexibility? This variant would only help on an ad hoc basis.
- Or will it make new legislative proposals which are not planned but would have a positive effect on the agriculture budget? There might be limited scope for this, inter alia in the field of animal diseases.

**Market and prices policy**

In the field of market and prices policy (market support measures and direct support), the proposals for the new Financial Perspectives are based on the Council's agreement of October 2002 (in the Commission proposal, the amounts have been converted into 2004 prices, applying an annual deflator of 2%). Thus the financial framework agreed in Brussels in 2002 is extremely tight, as it freezes direct payments at the 2006 level. In 2006, however, payments to the ten new Member States will amount to only 30% of the standard level, which will be reached in 2014 by means of gradual increases. From the point of view of the Agriculture Committee, adjustments to the amounts for market support measures / direct payments should therefore be excluded.

The Mid-Term Review of agricultural policy will on the one hand bring severe pressure to bear on farm incomes. On the other hand, the reduction in price support and the decoupling of premiums from production will create greater freedom and enterprise on the farms themselves. As a result, a greater focus on the market is anticipated, while the largely decoupled payments to farms will provide a certain safety net. The degree of decoupling will be the decisive factor in determining whether farmers do indeed respond to the market as intended. This means that European agricultural policy is very much geared to the Lisbon Strategy: increasing the focus on the market, greater dynamism and a purposeful rural policy to preserve and improve ecological and social sustainability.

Moreover, European agricultural policy is the only policy which has been formulated almost entirely at European level. Within a common market with open borders, this is also desirable. Thus from the point of view of subsidiarity the assessment is positive. Competition would be endangered if regulations on food quality, production requirements, trade policy and animal welfare requirements differed widely between Member States. From the point of view of proportionality and efficiency too, the assessment is positive, given that the CAP has been producing value added over time at a lesser cost than would have been the case had the Member States continued with their separate agricultural policies.

**Rural policy**
The appropriations for 'rural development' are not shown under a separate heading in the Commission's financial table but are stated for the period 2007-2013 in the Commission's proposal of 14 July 2004 for a regulation on support for rural development (COM(2004) 0490). According to that document, the absolute level of financing is intended to rise substantially (from € 10.554 billion in 2006 to € 13.077 billion in 2013 without the modulation appropriations; in total to € 88.75 billion). In relation to the Commission's overall planning for the Financial Perspectives, however, the share of rural development would fall from 8.8% to 8.3% of the EU budget. The limitation of direct payments by means of financial discipline makes the significance of the development of rural areas and particularly improving the competitiveness of agriculture and the development of diversified sources of income particularly clear.

In the field of rural policy, the Commission's proposals\(^1\) likewise comply with the principles of the last agricultural reforms of June 2003. They suggest, in particular, the adoption of a new financial instrument for this expenditure in the form of a single fund bringing together all the measures currently financed by EAGGF-Guarantee Section, structural policy in underdeveloped areas and the Leader+ programme, and suggest focusing this policy on core objectives.

The proposal elaborates on the three main objectives referred to in the communication on the Financial Perspectives, in accordance with the conclusions of the Salzburg conference (November 2003) and the strategic guidelines adopted by the Lisbon and Göteborg European Councils. These main objectives are:

- to make agriculture more competitive by supporting restructuring (economic dimension);
- to improve the environment and nature by supporting land management (including rural measures in Natura 2000 areas);
- to improve the quality of life in rural areas and promote diversification of economic activity.

In the light of the principles of subsidiarity, proportionality and efficiency, a further assessment of rural policy may be appropriate. In the case of the second and third objectives, in particular, it may be queried to what extent European action complies with subsidiarity. In this field, considerations of regional individuality and the quality of life play a greater role than competition. There is a direct link with the compulsory cofinancing of rural policy here. The Commission's proposals on rural development are currently being considered by the Agriculture Committee, and it is likely that many Members will regard the financing as inadequate.

**Veterinary policy and animal welfare**

Also of relevance to agriculture are the funds for animal welfare and combating animal diseases which are provided in Chapter 17 of the European budget. As animal diseases are not confined within national borders, and animal welfare requirements have a big impact on competitiveness, European action in these fields certainly complies with the subsidiarity requirement. The current policy ought to be scrutinised from the point of view of proportionality and efficiency. A further increase in the scope for vaccination against infectious animal diseases could be financially attractive to the EU. Moreover, the OIE has stated that using marker vaccines has no adverse effect at all on the spread of latent viruses and food safety.

**Flexibility**

---

\(^1\) COM(2004)0490, proposal for a Council regulation on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
One essential point in adopting a new Financial Perspective is flexibility, i.e. scope for appropriations to be transferred within a heading. Article 11 of the draft Interinstitutional Agreement (COM(2004) 0498) provides that each of the absolute amounts shown represents a ceiling. Within Heading 2, a ceiling is mentioned only for direct payments, while none is indicated for rural development, fisheries or environment. Thus there is in principle more scope for flexibility. It should at all events be ensured that appropriations for market-related measures/direct payments which are not exhausted are in future made available to farmers and not repaid to Member States.
SUGGESTIONS

The Committee on Agriculture calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Notes that the amounts indicated in the Commission proposal for market support measures / direct payments in the field of agriculture constitute an inadequate framework, as the appropriations will be frozen at the 2006 level; as direct payments to the new Member States will continue to be phased in over a period of years, and as the future reform of a number of sectors may require additional budget funding, it seems almost inevitable that the financial discipline system - i.e. cuts in direct payments - will already have to be applied in 2007; notes with great concern that the inadequate budgetary resources provided for in the 2007-2013 Financial Perspectives will seriously jeopardise the successful implementation of the 2003 CAP reform and that it may become necessary to revise the 2003 CAP reform if proper funding is not ensured; stresses as a minimum requirement that downward adjustments to the amounts for market support measures and direct payments must therefore be ruled out and deplores the fact that the Commission does not provide any information as to how the requisite savings can be achieved;

2. Stresses that the budget expenditure on direct payments for 2007-2013 has not taken account of the probable cost of the expected reforms in the sugar, fruit and vegetable and wine products sectors; calls on the Commission to inform the European Parliament of any additional resources expected to be required in those sectors and stresses that the future reforms cannot be funded under the current proposals; apart from the ethical considerations of policy towards producers, such funding is not feasible in any case since Community resources per Member State have hitherto been clearly allocated to the beneficiaries and eligible products, which do not include the products subject to review;

3. Observes that the present export policy will change after a new WTO agreement, and calls on the Commission to investigate how the existing export policy with export refunds can be tailored more effectively to the internationally more accepted system of export insurance; notes, however, that problems arising from the change in export policy will need to be addressed in the future;

4. Notes that, in the proposals in the field of agriculture, not enough account seems to have been taken of the possible accession of Bulgaria and Romania; calls on the Commission to inform Parliament as soon as possible about the additional funding which it expects to need in the field of agriculture for the possible accession of Croatia in the period up to 2013, and stresses that, as far as the CAP is concerned, future enlargements cannot be financed under the Brussels agreement on the freezing of agricultural expenditure;

5. Does not expect the Council to include a financial agreement with Bulgaria and Romania in the accession treaties, as was included in the accession treaty for the Member States that acceded on 1 May 2004, thus respecting the budgetary rights of Parliament;

6. Stresses the added value of an agricultural policy at European level which, in addition to safeguarding production in Europe and preserving Europe's cultivated landscape, also ensures equal conditions of competition for producers within the European internal market; accordingly opposes any renationalisation of the first pillar of the CAP (market support measures and direct payments); stresses that re-nationalisation and even the introduction of co-financing in the first
pillar of the CAP would create serious imbalances in the European agricultural sector, making agricultural subsidies a hostage to actual national budget positions, which would go against the very core of the tradition and principles of European integration and would undoubtedly lead to uncontrollable inequalities between Member States, thus constituting a major threat to the cohesion of the European Union;

7. Warns against the threats posed by introducing co-financing of the first pillar, which would:

- inevitably lead to the dismantling of the common agricultural policy, which is the foundation stone of an integrated Europe and which was devised in the 1960s in order to bring into being a common market in agriculture through the removal of factors which distort competition amongst the farmers of the Community (which has since become the Union);

- challenge the principle of financial interdependence which binds the EU Member States together in a Community Europe;

- impose additional constraints on the Member States’ budgets (which are already subject to severe restrictions and would not all be capable of contributing their share of national co-financing) and would not enable all European farmers to be granted the level of support promised to them by the EU when the common agricultural policy was last reformed and stipulated in the accession agreements;

8. Stresses that, apart from action under the second pillar, the new European agricultural policy is clearly, through action under the first pillar, in line with the Lisbon strategy and principally focused on achieving the objective of sustainable development, which requires common and uniform policies in terms of both their strategy and funding;

9. Stresses the importance of a European rural policy as a fully-fledged second pillar of the reformed agricultural policy for the preservation of employment, preventing emigration from rural areas, maintaining Europe's cultivated landscape, making agriculture more dynamic and protecting the environment; notes that more than half the population of Europe lives in the countryside and that rural areas comprise more than 90% of the European Union's territory; warns that the rural development funding provided for under the new Heading 2 is clearly inadequate for these purposes and calls for a significant increase in rural development funding, both proportionally and in absolute terms, as otherwise the ambitious aims set by the Lisbon agenda and by the reformed CAP will be at stake; considers that such funding should be supplemented by the use of the structural funds in rural areas; points out that the 2002 Brussels Summit agreement on freezing direct payments and market expenditure until 2013 does not set any ceiling on rural development funds; emphasises, further, that rural development funds must be distributed on the basis of an objective set of criteria (weight of agriculture in GDP, number of employees in the agricultural sector, agricultural land use, proportion of less favoured or lagging behind agricultural areas etc.); notes that in the case of the new Member States past performance is not an objective criterion, nor are any initial difficulties in absorbing SAPARD funds;

10. Considers that the current Natura 2000 funding should be added to the resources allocated to rural development in order to prevent any drastic cut in the significant volume of resources which is required for a proper rural development policy recognised and desired by all of Europe’s people and all of its institutions;
11. Welcomes the additional attention devoted to coherence of policy in the field of rural development and the proposed simplification by establishing a single rural development fund;

12. Calls, however, for more made-to-measure policies on rural areas, particularly in the case of the second and third objectives, where considerations of regional individuality and the quality of life play a greater role than considerations of competition, and notes that, in the light of the principles of subsidiarity, proportionality and efficiency, it may be appropriate to reconsider these aspects, although the Copenhagen Agreement must be fully respected for the new Member States;

13. Notes that the other savings can be achieved in certain cases by means of new legislative proposals, for example by means of better use of vaccines (including marker vaccines) to combat animal diseases, which in many cases would be less costly to the European budget than the present policy of mass culls;

14. Calls for a specific family-farm aid programme to be set up;

15. Calls on the Commission to provide it with regular information concerning the budgetary state of the common agricultural policy, in particular in cases where the Commission envisages activating the budget-discipline mechanism laid down in Article 11 of Regulation (EC) No 1782/2003;

16. Considers that it would be advisable to enable the financing of infrastructure development, the use of alternative energy sources, scientific research and training programmes closely linked to the rural areas from the Structural Funds and the Cohesion Fund in the 2007-2013 Financial Perspectives;

17. Supports the Commission's intention to replace the existing individual correction mechanism with a general correction mechanism without jeopardising the principle of solidarity; observes that, where the solidarity principle is applied, there will always be net contributors and net recipients, but that Member States in similar positions (expressed in terms of GNP per capita) must be treated equally as regards payments to the European budget; stresses that the new Member States must not immediately become net contributors in the first years after their accession;

18. Notes the Commission's proposal to continue capping the Structural and Cohesion Funds at 4%; points out that those amounts, which are currently funded from the EAGGF-Guidance and FIFG funds, but will be transferred to Heading 2 as from 2007, will continue to figure in the calculation of the 4% in the case of the new Member States; calls on the Commission to reconsider its view on this issue, since it is discriminatory and unjustifiable in the light of the Copenhagen Agreement;

19. Stresses that the appropriations in the case of the new Member States must not be less than the amounts arising from the common market organisations and other regulations in effect at the time of signing the Copenhagen Agreement and from the Copenhagen Agreement itself.
## Commitment authorisations

<table>
<thead>
<tr>
<th>Commitment authorisations</th>
<th>Columns</th>
<th>2006 (in %)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sustainable growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.a. Competitiveness for growth and employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.b. Coherence for growth and employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Sustainable management and protection of the natural resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.a. Environment and fishery, admin., other actions-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.b. Agriculture (market-related expenditure and direct aid) for the EU-27, of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- I. Bulgaria and Romania</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- II. EU-25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>. of which: EU-10 (new members)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>. of which: EU-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III. Reduction in EU-15 through modulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total effectively available for the EU-15 (II - III)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 2.c. Agriculture (rural development),</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- I. Bulgaria and Romania</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- II. EU-25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>. of which: EU-10 (new members)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>. of which: EU-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III. Increase for the EU-15 through modulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total available for the EU-15 (II + III)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Total agriculture (2.b + 2.c)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Citizenship, freedom, security and justice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. The EU as a global partner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Appropriations for payments

| Appropriations for commitments (total) |          | 120,688 (100%) | 133,560 | 138,700 | 143,140 | 146,670 | 150,200 | 154,315 | 158,460 (100%) |
| Appropriations for commitments in % of GNI |          | 1.14% | 1.23% | 1.25% | 1.25% | 1.26% | 1.26% | 1.27% | 1.27% |
| Appropriations for payments |          | 114,740 | 124,600 | 136,500 | 127,700 | 126,000 | 132,400 | 138,400 | 143,100 | Averages 2007/13 |
| Appropriations for payments in % of GNI |          | 1.09% | 1.15% | 1.23% | 1.12% | 1.08% | 1.11% | 1.14% | 1.15% | 1.14% |
| Remaining margin |          | 0.15% | 0.09% | 0.01% | 0.12% | 0.16% | 0.13% | 0.10% | 0.09% | 0.10% |
| own resources limit in % of GNI |          | 1.24% | 1.24% | 1.24% | 1.24% | 1.24% | 1.24% | 1.24% | 1.24% | 1.24% |

**PROCEDURE**

<table>
<thead>
<tr>
<th>Title</th>
<th>Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>References</td>
<td>2004/2209 (INI)</td>
</tr>
<tr>
<td>Committee responsible</td>
<td>FINP</td>
</tr>
<tr>
<td>Committee asked for its opinion</td>
<td>AGRI</td>
</tr>
<tr>
<td>Date announced in plenary</td>
<td>15.9.2004</td>
</tr>
<tr>
<td>Enhanced cooperation</td>
<td>--</td>
</tr>
<tr>
<td>Draftsman</td>
<td>Albert Jan Maat</td>
</tr>
<tr>
<td>Date appointed</td>
<td>21.9.2004</td>
</tr>
<tr>
<td>Discussed in committee</td>
<td>22.11.2004 10.1.2005 3.2.2005</td>
</tr>
<tr>
<td>Date amendments adopted</td>
<td></td>
</tr>
<tr>
<td>Result of final vote</td>
<td>for: 28 against: 3 abstentions: 5</td>
</tr>
<tr>
<td>Substitutes present for the final vote</td>
<td>Herbert Bösch, Gábor Harangozó, Wiesław Stefan Kuc, Jan Mulder, Karin Resetarits</td>
</tr>
<tr>
<td>Substitutes under Rule 178(2) present for the final vote</td>
<td>--</td>
</tr>
</tbody>
</table>
A. Introduction

The Commission has produced a draft of its 'Financial Perspectives 2007 - 2013', which provide the Union's financial framework for all its goals and the tools required to make them a reality. To this end, the Commission presented a communication (COM(2004)0487) in July 2004 focusing on four priority headings. The first, 'sustainable growth', concerns economic growth and employment policy; the second, 'conservation and management of natural resources', deals with fisheries, agriculture and the environment; the third is 'citizenship', and the fourth is devoted to 'Europe as a global partner', excluding the external aspect of fisheries, which comes under the second heading.

Fisheries funding is therefore dealt with under heading 2. The first part of this heading concerns the setting-up of a fund to promote economic and social growth in the sector and in coastal communities, as part of the policy of sustainable management of fisheries resources. The second half relates to measures to provide financial support for the management of the common fisheries policy, including measures to improve the monitoring of compliance with the rules of the common fisheries policy (CFP), the collection of data necessary to provide scientific advice and the backing-up of this advice, on which the conservation measures for fisheries resources and governance-related measures are based. As the Commission has not yet presented a proposal on the second instrument, this opinion will not look at it in detail.

The Commission's communication is therefore an important step in the development strategy finalised in Lisbon and Gothenburg.

B. Structural policy

The Commission anticipates expenditure of EUR 7.6 bn for the CFP, of which EUR 4.963 bn are allocated to structural policy (EFF). This replaces the former 'financial instrument for fisheries guidance', which for the 2000-2006 period reached a level of EUR 4.2 m (at 2004 values).
The financial contributions will be paid on the basis of a transfer. The planned spending within Objective 1 regions will be transferred on the basis of the current annual historical percentage: for the EU-15, the percentage for fisheries within Objective 1 will be 1.84% of GDP, while for the new Member States (EU-10), it will be 1.7%.

C. The fishing sector

- The ex-post evaluation of the 1994-1999 FIFG showed the inadequacy of the provisions for achieving the goal of reducing the excess capacity of the Community fleet, which was due to reluctance on the part of the Member States and the complexity of applying the measures.

Given the worrying state of the majority of commercial fish stocks, this problem has become a priority, as it entails social, economic and environmental costs. The approach taken to resolve this problem should take into account the principle of sustainability and measures aimed at conserving resources, such as the recovery plans and financial support for adapting capacity to available resources, stakeholder participation, measures to contain the environmental impact, and initiatives to improve the hygiene, safety and quality of products.

- The aquaculture sector continues to face problems of competitiveness, productivity, sustainability and compliance with health, hygiene and environmental standards. Reliance on certain species and production sites reinforces this negative trend. Investment in order to modernise and diversify the sector and measures to help reduce health and environmental risks are becoming unavoidable. Small and medium-sized enterprises, particularly those in the new Member States, require sufficient financial support from the Community to adapt to the world market.

- Small and medium-sized enterprises in the processing industry in regions dependent on fisheries are now finding themselves at threat from the sector's tendency towards concentrating activities among the large agri-foodstuffs groups. Increased competition, diminishing supply and health and hygiene requirements are adding to their economic difficulties. Investment to restructure and promote the sustainability of the sector to boost the level of supply and make a positive contribution to the local economy is, therefore, a priority.

- The recovery of stocks inevitably has economic repercussions for the inhabitants of coastal regions, where there are few economic alternatives. Socio-economic measures should be accompanied by funding to support the development and diversification of the areas concerned. Initiatives focusing on employment, conversion and increasing the added value of fishing activities must be launched if development is to be achieved.

D. Monitoring of fishing activity

Measures to improve the monitoring of compliance with the rules of the common fisheries policy (CFP), the collection of data necessary to provide scientific advice and the backing-up of this advice, on which the conservation measures for fisheries resources and governance-related measures are based, come under heading 2.

Monitoring needs remain substantial: the financial effort should focus on improving scientific advice through Regional Advisory Councils (RACs), but also on providing more effective monitoring at national and Community level.
In any case, under the financial framework proposed by the Commission, the financial effort for science and monitoring continues to be insufficient, particularly since enlargement and in view of research needs.

It should be stressed that, since the enlargement of the Community, the Baltic Sea, with the exception of a small part belonging to Russia, has become the EU's responsibility, and the same will apply to the Black Sea when Romania and Bulgaria join.

E. Simplification

There has been an effort to simplify the situation by placing fisheries financing under the same budget heading. The external aspect of fisheries is also included in the fisheries package. In addition to this, the instruments have been rationalised: on one hand there is a new structural policy called the 'European Fisheries Fund' (EFF) and, on the other, measures concerning the policies on conservation of stocks, monitoring, scientific advice, governance and external matters. By identifying priorities, it should, in theory, be easier to ensure the effectiveness of financing.

F. Financial measures

Increased financing for measures targeting conservation of stocks, monitoring, scientific advice and governance is essential. The committee would like greater commitment in terms of the environment, especially in relation to funding for the setting-up of the Natura 2000 programme, an area where financing is not sufficiently generous. Governance and external policy also require adequate funding in order to maintain and even encourage competitiveness.

The committee recognises that the recent accession of the Baltic States to the European Union has given rise to the need to improve monitoring, governance and data collection measures. The next enlargement in 2007 will bring with it the same challenges when Romania becomes part of the Union and the Black Sea, accordingly, part of Community waters.
Suggestions:

The Committee on Fisheries calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007/2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Considers that the total sum earmarked for the fisheries package falls very short of what is needed to apply the criteria defined by the 2002 CFP reform, which reflect the complex challenges with which the sector must contend, such as research and conversion. Points out that for consumers, fishing is a source of food, whereas for fishermen, their communities, vessel owners and industry, it is a source of income and employment. Stresses that funding shortages could lead to economic decline in coastal regions, which is the cause of high public spending on social programmes and employment assistance aimed at compensating for job losses. Considers it also important to allow for substantially higher funding for the conservation of marine ecosystems;

2. Believes that the fisheries budget should also take into account the budgetary consequences of further enlargement, and that the added value of Community spending must be guaranteed. In this regard, points out that, in addition to co-financing, Member States may use their own funding for Community actions and provide additional funding to adapt their capacity to the available resources, in accordance with the legislation on state aid;

3. Believes that the working conditions for those in fishing-related employment should be considered a major concern and that a financial effort should be made to reach a reasonable level of equality, safety and hygiene with regard to vessels. Stresses that consideration for fishermen's welfare must be reflected in appropriate financial support. While agreeing that there should be a restriction on any increase in unsustainable fishing effort, considers that the objective of supporting modernisation measures must be taken into account, especially where it is a case of providing essential support to maintain small-scale fishing, the disappearance of which would be damaging to nature conservation;

4. Welcomes the efforts to simplify and decentralise financing for fisheries. Considers, however, that this simplification and alignment with Structural Funds procedures should also bear in mind the need for coordination and synergy with the Community's other financial instruments, be it for rural development or structural measures, and consider the need to lessen the administrative burden of all programmes;

5. Stresses the need at least to maintain an upper limit equivalent to 1.24% of the own resources ceiling, while supporting the raising of the upper ceiling on own resources;

6. Points out that, in the event of the Council lowering the ceiling of 1.24%, Parliament should reject the proposed Financial Perspective;

7. Considers that the CFP set out in the proposal under heading 2 - 'conservation and management of natural resources' - should be an EP priority on account of the focus on sustainable development, one of the objectives of the Lisbon Strategy;

8. Emphasises the urgent need for fisheries research, provided for under heading 1 as part of the Seventh Framework Programme, to benefit from a budgetary allocation that will guarantee the
minimum scientific contribution required for decision-making by Community institutions, and by the Commission in particular;

9. Considers that, at EUR 7900 m (2007-2013) with an average yearly increase of 3%, rising from EUR 909 m in 2006 to EUR 1125 m in 2013, the total sum of appropriations proposed for the CFP under heading 2 is unacceptable, as it does not take into account either the new Member States' needs or those of a Europe of 25. The reform of the CFP on the basis of sustainable development will be unable to take place without the necessary financing;

10. Accepts the removal of the EFF, as the fisheries structural fund, from heading 1, provided that, at the very least, the appropriations for the entire programming period set out in accordance with the Interinstitutional Agreement of 6 May 1999 are guaranteed;

11. Is in favour of funding earmarked for international fishing agreements retaining its privileged nature.
<table>
<thead>
<tr>
<th><strong>Title</strong></th>
<th>Policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procedure number</strong></td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td><strong>Committee responsible</strong></td>
<td>FINP</td>
</tr>
<tr>
<td><strong>Committee asked for its opinion</strong></td>
<td>PECH</td>
</tr>
<tr>
<td><strong>Date announced in plenary</strong></td>
<td>15.9.2004</td>
</tr>
<tr>
<td><strong>Enhanced cooperation</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Drafts(wo)man</strong></td>
<td>Paulo Casaca</td>
</tr>
<tr>
<td><strong>Date appointed</strong></td>
<td>1.09.2004</td>
</tr>
<tr>
<td><strong>Discussed in committee</strong></td>
<td>21.9.2004</td>
</tr>
<tr>
<td><strong>Date suggestions adopted</strong></td>
<td>24.1.2005</td>
</tr>
<tr>
<td><strong>Result of final vote</strong></td>
<td>for: 21</td>
</tr>
<tr>
<td></td>
<td>against: 0</td>
</tr>
<tr>
<td></td>
<td>abstentions: 3</td>
</tr>
<tr>
<td><strong>Substitutes present for the final vote</strong></td>
<td>Paulo Casaca, Ambroise Guellec, Carl Schlyter, Czesław Adam Siekierski</td>
</tr>
<tr>
<td><strong>Substitutes under Rule 178(2) present for the final vote</strong></td>
<td></td>
</tr>
</tbody>
</table>
1.2.2005

OPINION OF THE COMMITTEE ON CULTURE AND EDUCATION

for the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013 (2004/2209(INI))

Draftswoman: Ruth Hieronymi

SUGGESTIONS

The Committee on Culture and Education calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

Heading 1(a): Competitiveness for growth and employment

Sub-heading: Education and training

1. Recalls the observations of the Kok report on the Lisbon process that 'lifelong learning is not a luxury - it is a necessity' and that 'Mobility throughout the Union should ... be strengthened to allow workers to benefit from new opportunities.'; underlines the increasingly important role of education and training in sustaining a competitive and dynamic knowledge-based economy in Europe; notes that, because of rapid technological development and long-term demographic trends, education and training systems are becoming increasingly integrated in a lifelong learning context; is persuaded that action at Community level in these fields has been effective and has offered demonstrable added value by providing an instrument for spreading innovation and good practice that would otherwise have remained locked within national borders; regards an extension of the programme as one of its political priorities in the current legislature; welcomes, therefore, the Commission proposal for an integrated action programme in the field of lifelong learning (COM(2004)0474) since this offers the prospect of greater coherence and synergy, permitting a larger and more flexible range of actions to be supported more efficiently; is convinced that the programme must, moreover, be aimed at Europe-wide mutual recognition of qualifications and that greater European funding for the Socrates and Leonardo education programmes would enable more students to be partly trained in a Member State other than their own; stresses in addition the importance for transparency and access to the sub-programmes of retaining well-established and well-known programme names (Socrates, Leonardo, Comenius);

2. Recalls the success of the Erasmus programme; believes that an increase in the average Erasmus student mobility grant (which has remained at EUR 150 since 1993 and has therefore fallen in value by one-quarter in real terms) is necessary if the aim of supporting two million more Erasmus students by 2011 is to be attained; considers that support for teacher mobility under the
Comenius programme - an important means of promoting exchanges of good practice - needs to be reinforced; urges that the Comenius programme should aim to involve, over the lifetime of the programme, one pupil in ten (rather than the one in twenty proposed by the Commission) in joint educational activities; considers that the Pisa 2003 report shows that there is an urgent need to promote the approach towards higher performance standards of education systems in the EU and that this should become the central objective of EU action in the field of education; considers that these improvements to the programme require an increase of approximately one-quarter in the reference amount proposed by the Commission;

**Heading 3: Citizenship, freedom, security and justice**

**Sub-heading: Culture**

3. Recalls President Barroso’s assertion at the Berlin ‘Europe and Culture’ conference in November 2004 that ‘If we really want to go further than what the Member States can do ... if we want truly multilateral cooperation, the EU must have adequate resources for this mission’; welcomes the rationalisation of Community instruments in the field of culture envisaged in the Commission's proposal (COM(2004)0469) for a ‘Culture 2007’ programme; notes that the Commission proposal foresees extending the scope of the programme to actions hitherto supported from other parts of the Community budget and that, when account is taken of this, the reference amount proposed would provide for funding only 14% higher than that available under the current Culture 2000 programme; notes that if one-thousandth of the current annual Commission budget were to be dedicated to culture this would provide a budget of approximately EUR 700 million (EUR 100 million annually) over the lifetime of a successor programme; recalls that the Ministers of Culture meeting in Rotterdam in July 2004 expressed the view that an adequate budget for the Union’s declared aspirations in the field of culture would amount to EUR 315 million annually, a view strongly shared by this committee;

4. Notes the economic and cultural importance of the audiovisual sector, in particular the contribution that, with the digitalisation of development, production, distribution and collection of audiovisual works, it will make to the creation of a knowledge-based economy and a knowledge-based society from which no citizen must be excluded, and to the maintenance of cultural diversity and pluralism in Europe; recalls the effective and efficient contribution that the current MEDIA programme is making to supplement national and regional support for the development of the sector; notes that the Commission’s proposal for a successor programme (COM (2004)0470) envisages its extension to cover, among other things, a continuation of the successful i2i initiative; stresses the importance of positive discrimination in favour of national industries with weaker production capacities and television distribution capacities; regards the proposed reference amount (EUR 1 055 million) as the absolute minimum necessary if the goals of the programme are to be attained;

5. Notes the success of the current Community programme in the field of youth; believes that this programme has clearly demonstrated the added European value of Community action in organising multilateral youth exchanges, a European voluntary service, the networking of projects and European training for youth workers; welcomes the Commission proposal (COM (2004)0471) for a successor programme which aims at strengthening young people’s active citizenship, fostering mutual understanding between peoples and promoting European cooperation in youth policy; welcomes the proposed rationalisation of Community instruments in this field; believes that a substantial increase in the reference amount proposed is necessary if the goals of the programme are to be achieved; points to the need to publicise these programmes to make them genuinely accessible to all population groups;
Sub-heading: Press and communication

6. Recalls that the latest Eurobarometer figures have revealed that 72% of European citizens admit to knowing little or nothing about the European Union, its institutions, its policies, or its achievements; underlines the importance of having the wherewithal to finance an effective information and communication strategy to enable the Union to rise to the challenge facing it, namely to ‘communicate Europe to citizens’; also believes that the European institutions must provide themselves with the financial and human resources needed to implement their information and communication policies;

Sub-heading: Sport

7. Recalls that the Constitution for Europe (Article III-282) notes the social and educational function of sport, and includes a new Community competence allowing laws and framework laws to be adopted establishing measures for developing the European dimension in sport; recalls that, in recent years, it has consistently sought to use budgetary support for preparatory measures and pilot actions to develop the European dimension in sport; urges that account of this future Community competence be taken in the next Financial Perspective;

* * *
BACKGROUND NOTE

1. The Financial Perspective (a needlessly literal translation from the French Perspectives financières) is essentially a multi-annual framework budget for all Community expenditure agreed by the Parliament and the Council.

2. The Commission budget (which accounts for about 98% of all Community expenditure) is divided into headings (e.g. agriculture; structural funds; internal policies; administration) and sub-headings.

   e.g. Under the current framework budget, which covers the years 2000-2006, most of the policies and programmes for which this Committee has special responsibility are under three sub-headings in Heading 3 Internal Policies: education, training, youth; culture and audiovisual media; information and communication.

The framework budget sets annual ceilings for each of the headings and sub-headings: it is the framework within which the annual budgetary procedure takes place.

3. Clearly, a multi-annual framework budget makes it easier to plan expenditure which will stretch over several years. But each of the two arms of the budgetary authority - the Council and the Parliament - has its own reasons for wanting to negotiate an agreement. Under the Treaty, the Council has the final say on 'compulsory' expenditure (essentially, agriculture): the Parliament has the final say on 'non-compulsory' expenditure (everything else).

   • The Council wants to limit non-compulsory expenditure and increase its say in the overall allocation of resources between policy areas.
   • The Parliament wants to make sure that the annual budgets are adequate to finance policies it considers important, and to exercise some control over agricultural expenditure.

4. By its decision of 15 September 2004, the Parliament set-up a 'Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013'. The job of the Temporary Committee (FINP) is to:

   • define the Parliament's political priorities for the future Financial Perspective
   • propose a structure for the Financial Perspective in line with these priorities
   • estimate the necessary expenditure
   • 'to propose an indicative allocation of resources between and within the different headings of the financial perspective in line with the priorities and proposed structure'.

In brief, its job is to fix the Parliament's negotiating position on the next Financial Perspective: it will report to the plenary in May 2005.

5. Each of the standing committees has been invited to draw-up an opinion for the Temporary Committee by early February 2005. The draftmen and chairs of the permanent committees are invited to attend the Temporary Committee whenever it discusses an area of the budget of direct relevance to them: the rapporteur for the Temporary Committee (Mr. Böge) must be invited to the permanent committees whenever they discuss their draft opinion.

6. Our committee has recently begun work on the Commission's proposals for the next generation of education, culture, youth and media programmes:
• Lifelong Learning (with a proposed budget of more than EUR 13 800 million) - the successor to Socrates - rapporteur: Mrs. Pack
• Culture (EUR 408 million) - Mr. Graca Moura
• Youth (EUR 915 million) - Mrs. Gröner
• Media (EUR 1 055 million) - Mrs. Hieronymi

7. In order that work on current legislative proposals should not compromise the position that the Parliament will take on the Financial Perspective, the President of Parliament (who is the chair of the temporary committee) has written to the chairmen of the permanent committees suggesting that the legislative process can continue, but there should be no discussion in plenary of the budgets of future multi-annual programmes until after the Temporary Committee has reported.

8. The Temporary Committee will report to plenary on 11 May 2005 and the Committee can then proceed to adopt reports on the four proposals for codecided programmes listed in paragraph 6 above: the Parliament's first readings on these proposals might take place in September 2005. The Council will then have to try to reach common positions. It would be most unfortunate if, because of the absence of an agreement within the Council on the next Financial Perspective, there were a long delay before these common positions were agreed: this would almost inevitably slow the start of the new generation of programmes, disappointing all of those - young people, students, higher education institutions, cultural organisations, media operators - at whom the programmes are aimed.

***
# PROCEDURE

<table>
<thead>
<tr>
<th>Title</th>
<th>Policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure number</td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td>Committee responsible</td>
<td>FINP</td>
</tr>
<tr>
<td>Committee asked for its opinion</td>
<td>CULT</td>
</tr>
<tr>
<td>Date announced in plenary</td>
<td>15.9.2004</td>
</tr>
<tr>
<td>Enhanced cooperation</td>
<td></td>
</tr>
<tr>
<td>Drafts(woman)</td>
<td>Ruth Hieronymi</td>
</tr>
<tr>
<td>Date appointed</td>
<td>27.10.2004</td>
</tr>
<tr>
<td>Discussed in committee</td>
<td>18.1.2005  1.2.2005</td>
</tr>
<tr>
<td>Date suggestions adopted</td>
<td>1.2.2005</td>
</tr>
<tr>
<td>Result of final vote</td>
<td>for: 27  against: 1  abstentions: 0</td>
</tr>
<tr>
<td>Members present for the final vote</td>
<td>Maria Badía i Cutchet, Christopher Beazley, Giovanni Berlinguer, Guy Bono, Marie-Hélène Descamps, Jolanta Dičková, Věra Flasarová, Milan Gaľa, Vasco Graça Moura, Erna Hennicot-Schoepges, Luis Francisco Herrero-Tejedor, Ruth Hieronymi, Mario Mauro, Manolis Mavrommatis, Doris Pack, Miguel Portas, Christa Prets, Karin Ressetarits, Pál Schmitt, Nikolaos Sifunakis, Hannu Takkula, Henri Weber, Thomas Wise, Tomáš Zatloukal, Jaroslav Zvěřina</td>
</tr>
<tr>
<td>Substitutes present for the final vote</td>
<td>Ivo Belet, Mary Honeyball, Nina Škottová</td>
</tr>
<tr>
<td>Substitutes under Rule 178(2) present for the final vote</td>
<td></td>
</tr>
</tbody>
</table>
7.2.2005

OPINION OF THE COMMITTEE ON CIVIL LIBERTIES, JUSTICE AND HOME AFFAIRS
for the Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013
(2004/2209(INI))

Draftsman: Gérard Deprez

SUGGESTIONS

The Committee on Civil Liberties, Justice and Home Affairs calls on the Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

Structure of the new multiannual financial framework

1. Reiterates its satisfaction with the Commission's proposal to make European citizenship, and more specifically the completion of an area of freedom, security and justice, one of the top three priorities for the enlarged Union 2007-2013 and, in particular, its strong support for a specific heading 'Citizenship, freedom, security and justice' as a logical consequence of the proposed priority for this policy area;

2. Stresses that the political importance of a particular policy area finds its expression in the development of an adequate policy mix, which also includes the financial resources allocated to it; proposes therefore that the area of freedom, security and justice should be the subject of a specific sub-heading under heading 3 of the financial perspective and included as such in Annex I to the new interinstitutional agreement on budgetary discipline and improvement of the budgetary procedure;

3. Is aware of the relative size of the proposed heading in comparison to other headings of the current and future financial perspective; underlines therefore the need for increased flexibility in case of unforeseen events;

4. Is of the opinion that the tools proposed by the Commission to ensure the necessary flexibility, notably to give the revision procedure its original role and to create the new reallocation flexibility as well as the European Solidarity and Rapid Reaction Instrument within the ceilings of the multiannual financial framework, are adequate; welcomes the planned extension of the solidarity instrument to non-natural disasters, such as terrorist attacks; insists on the necessity to have a precise definition of the European dimension of the disaster which will give access to the Solidarity Instrument;
Interinstitutional agreement on budgetary discipline and improvement of the budgetary procedure

5. Objects strongly, however, to the proposed flexibility of 5% to depart from financial reference amounts in programmes decided by the codecision procedure by the budgetary authority, should the rights of Parliament not be respected;

6. Proposes to remove from the text of the interinstitutional agreement the commitment to 'avoid entering items in the budget carrying insignificant amounts of expenditure on operations', because for political reasons the institutions often choose to do so;

7. Objects as well to the proposal of the Commission that both arms of the budgetary authority should inform the Commission by mid-June of their intentions as regards pilot projects and preparatory actions because Parliament, as one arm of the budgetary authority, can only have a position once the deadline for budget amendments has passed;

8. Questions the judgement that no provisional measures will be necessary, which is based on the assumption that all relevant basic acts are adopted in 2005;

Political priorities

9. Takes note of the intention of the Commission to replace the existing programmes of the policy area 'freedom, security and justice' by three framework programmes: a 'freedom of movement and solidarity in the area of external borders, asylum and immigration programme', a 'justice and fundamental rights programme' and a 'security programme';

10. Agrees with the intention of the Commission to allocate around two thirds of the expenditure of the proposed heading 3 (excluding the Solidarity and Rapid Reaction Instrument) to the programmes and measures relating to the completion of an area of freedom, security and justice;

11. Considers, in the absence of the concrete legislative proposals, the declared intention of the Commission to spend 75% of the total amount for these three programmes on the 'freedom programme', i.e. mainly on the protection of external borders, premature; questions as well the appropriateness of the names given to the three framework programmes;

12. Stresses that each of the three framework programmes must be allocated sufficient (significantly increased) budgetary resources, so as to enhance European added value and to ensure greater solidarity, more effective cooperation and a better division of responsibilities among the Member States in all policies coming within the area of freedom, security and justice;

13. Considers it essential, in this connection, for the priorities for each programme to be clearly defined and for effective budgetary instruments to be put in place for their implementation;

14. Calls, in connection with the freedom of movement and solidarity framework programme, for additional resources to be allocated:

- in the asylum field, to enhancing solidarity between Member States through the European Fund for Refugees;
- in connection with the management of external borders, to setting up the External Borders Agency and developing databases aimed at making controls more effective (VIS, SIS II, Eurodac) while ensuring proper protection for personal data;

- in connection with the integration of legal residents, to promoting and supporting initiatives launched by Member States, inter alia by pooling best practice;

- in connection with action to combat illegal immigration, to introducing an instrument to provide support for repatriation and the establishment of partnerships with countries of origin and transit, with a view to improving at-source control of migratory flows while protecting the rights of the persons concerned;

15. Calls, in connection with the security framework programme, for additional resources to be allocated:

- to preventing and combating organised crime and terrorism by strengthening Europol, which should be made a European Union body;

- to developing training, exchange and cooperation programmes between the competent national authorities, involving in particular the strengthening of the European Police College and its establishment as a European Union body;

- to introducing a solidarity instrument for victims of acts of terrorism;

16. Calls, in connection with the justice and fundamental rights framework programme, for additional resources to be allocated:

- to stepping up cooperation in criminal matters, particularly for the benefit of Eurojust, which needs to have a secure information system and a genuine power of initiative;

- to combating racism and xenophobia and implementing a genuine policy of promoting fundamental rights within the Union and the Member States, including more support for the Fundamental Rights Agency;

- to support for measures to combat violence against children and women (Daphne);

- to support for European anti-drugs programmes, which will require development of the European Monitoring Centre for Drugs and Drug Addiction;

- to stepping up cooperation in civil and commercial matters;

17. Notes that the introduction of the concept of 'shared management' (mainly decentralised management by Member States) for a part of the expenditure constitutes a new development, the only significant exception being so far the Refugee Fund, which is already mainly implemented by Member States; given the recent remarks of the Court of Auditors in its Annual Report 2003 on the European Refugee Fund, in which the Court, among other points, criticised the 'weak control environment in the Member States', requests the Commission to ensure an adequate control environment at national and European level;

18. Emphasises the importance of democratic oversight over policy measures in the justice and home affairs area in particular, and stresses that European Union policy measures must not be
financed by means of the Council's administrative budget and that Parliament's budgetary prerogatives must be fully safeguarded;

19. Reserves the right to update, if necessary, this position once the concrete legislative proposals are adopted by the Commission.
### Procedure

<table>
<thead>
<tr>
<th>Title</th>
<th>Policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure number</td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td>Committee responsible</td>
<td>FINP</td>
</tr>
<tr>
<td>Committee asked for its opinion</td>
<td>LIBE</td>
</tr>
<tr>
<td>Date announced in plenary</td>
<td>15.9.2004</td>
</tr>
<tr>
<td>Enhanced cooperation</td>
<td></td>
</tr>
<tr>
<td>Draftsman</td>
<td>Gérard Deprez</td>
</tr>
<tr>
<td>Date appointed</td>
<td>16.11.2004</td>
</tr>
<tr>
<td>Discussed in committee</td>
<td>16.11.2004</td>
</tr>
<tr>
<td>Date suggestions adopted</td>
<td>1.2.2005</td>
</tr>
</tbody>
</table>
| Result of final vote | for: 39  
against: 3  
abstentions: 2 |
| Members present for the final vote | Alexander Nuno Alvaro, Alfredo Antoniozzi, Johannes Blokland, Mario Borghezio, Mihael Brejc, Kathalijne Maria Buitenweg, Michael Cashman, Giusto Catania, Charlotte Cederschiöld, Carlos Coelho, António Costa, Agustín Díaz de Mera García Consuegra, Rosa Díez González, Antoine Duquesne, Kinga Gál, Patrick Gaubert, Adeline Hazan, Livia Járöka, Timothy Kirkhope, Ewa Klamt, Ole Krarup, Stavros Lambrinidis, Romano Maria La Russa, Henrik Lax, Edith Mastenbroek, Jaime Mayor Oreja, Hartmut Nassauer, Bogdan Pęk, Martine Roure, Inger Segelström, Manfred Weber, Stefano Zappalà, Tatjana Ždanoka |
| Substitutes present for the final vote | Frederika Brepoels, Panayiotis Demetriou, Gérard Deprez, Camiel Eurlings, Ignasi Guardans Cambó, Sophia in ’t Veld, Sylvia-Yvonne Kaufmann, Vincent Peillon, Herbert Reul, Marie-Line Reynaud, Jan Zahradil |
| Substitutes under Rule 178(2) present for the final vote | |
OPINION OF THE COMMITTEE ON CONSTITUTIONAL AFFAIRS

for the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013
(2004/2209(INI))

Draftsman: Johannes Voggenhuber

SUGGESTIONS

The Committee on Constitutional Affairs calls on the Temporary Committee on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Insists that the multiannual financial framework should be of five-years' duration so as to correspond to each term of the Parliament and the Commission with one-year's margin;

2. Proposes, in the light of the above, that the financial perspective currently under negotiation should be of four-years' duration;

3. Urges the European Council to use the provision of the Constitution (Article I-55(4)) to shift the decision-making procedure on the multi-annual financial framework from unanimity to QMV as soon as possible to reflect the democratic spirit of the Constitution, to expedite the taking of the decision, and to reinforce the practice of solidarity and sincere cooperation among Member States and between the institutions;

4. Insists that the European Parliament should assent to the financial framework next to the one under consideration by a majority of its component members as provided in the Constitution;

5. Stresses that the Constitution for Europe establishes an immediate relationship between the Union and its citizens which must be based on transparency and trust, that an instrument of direct democratic participation is also being introduced in the form of citizens’ initiatives, that a European information, communication and public relations policy of the highest quality is therefore essential, and that it is also necessary to build up a democratic infrastructure which will allow exchange and cooperation between people across national borders;

6. Takes the view that, with the Constitution, the task also arises of creating an overarching area of European political information; calls on the Commission to incorporate in Heading 3 of the financial perspective a new programme to promote Union-wide print and electronic media;
7. Calls for sufficient funds to be allocated to the future Fundamental Rights Agency so that it can perform its important tasks efficiently throughout the Union;

8. Emphasises the significance of political parties at European level for European democracy and for political opinion-forming in the Union and proposes that Union-wide political academies or foundations be promoted; calls for the increased promotion of networks in civil society, NGOs and youth organisations, in order to contribute to the development of cross-border participatory democracy;

9. Welcomes the intention of many Member States to cooperate closely with the Commission in the implementation of the PRINCE Programme and its successors; takes the view, however, that, in many instances, only the European institutions can guarantee the requisite coherence of information programmes and that they must be provided with the requisite funds;

10. Recalls that support for establishments which devote themselves, via research, training and the media, to the general European interest and the construction of a European democracy must be extended to the new Member States and that that necessarily implies the provision of adequate resources for them to carry out their activities effectively;

11. Welcomes the fact that the Commission proposal tallies with the Union's financing requirements which have arisen from enlargement and, above all, from the new constitutional order, with its goal of political and social justice;

12. Calls on the Commission to further specify its proposals for a convincing system of own resources which will make the revenue side of the Union budget transparent for citizens and guarantee the Union's financial autonomy; calls on the Council to play a constructive part in the debate on both the expenditure and the revenue side of the new financial perspective;

13. Notes that, with the entry into force of the Constitution, the multi-annual financial framework will become legally binding and that it will have to be adopted in the form of a European law, with the consent of the European Parliament.
## PROCEDURE

<table>
<thead>
<tr>
<th>Title</th>
<th>Policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure number</td>
<td>2004/2209(INI)</td>
</tr>
<tr>
<td>Committee responsible</td>
<td>FINP</td>
</tr>
<tr>
<td>Committee asked for its opinion</td>
<td>AFCO</td>
</tr>
<tr>
<td>Enhanced cooperation</td>
<td>No</td>
</tr>
<tr>
<td>Date announced in plenary</td>
<td>15.9.2004</td>
</tr>
<tr>
<td>Drafts(wo)man</td>
<td>Johannes Voggenhuber</td>
</tr>
<tr>
<td>Date appointed</td>
<td>16.11.2004</td>
</tr>
<tr>
<td>Discussed in committee</td>
<td>29.11.2004 19.1.2005 24.2.2005</td>
</tr>
<tr>
<td>Date suggestions adopted</td>
<td>24.2.2005</td>
</tr>
<tr>
<td>Result of final vote</td>
<td>for: 11 against: 1 abstentions: 0</td>
</tr>
<tr>
<td>Members present for the final vote</td>
<td>Jean-Luc Dehaene, Panayiotis Demetriou, Andrew Duff, Bronislaw Geremek, Ignasi Guardans Cambó, Daniel Hannan, Sylvia-Yvonne Kaufmann, Jo Leinen, Íñigo Méndez de Vigo, Johannes Voggenhuber</td>
</tr>
<tr>
<td>Substitutes present for the final vote</td>
<td>Elmar Brok, Gérard Onesta</td>
</tr>
<tr>
<td>Substitutes under Rule 178(2) present for the final vote</td>
<td></td>
</tr>
</tbody>
</table>
28.1.2005

OPINION OF THE COMMITTEE ON WOMEN'S RIGHTS AND GENDER EQUALITY

for the Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013

on policy challenges and budgetary means of the enlarged Union 2007-2013
(2004/2209(INI))

Draftswoman: Ilda Figueiredo

SUGGESTIONS

The Committee on Women's Rights and Gender Equality calls on the Temporary Committee on Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- having regard to the Commission communication to the Council and the European Parliament on the 2007-2013 financial perspective (COM(2004)0487)\(^1\),


- having regard to the temporary committee's working documents on the policy challenges and budgetary means of the enlarged Union 2007-2013, and more particularly, working document No 8 of 22 November 2004, concerning the social policy agenda,

1. Points out that the allocations proposed by the Commission in the 'Prodi Package' for social issues, equality and employment do not reflect any real increase over the previous financial framework, despite the fact that inequalities within the enlarged European Union have increased, there are 20 million unemployed and poverty and social exclusion affect some 70 million people, while total budgetary appropriations for competitiveness and entrepreneurship will increase by an average of 115%;

2. Deplores the fact that a mere € 1 345 million, at 2004 prices, are earmarked for the social agenda in the proposed amounts for 2007-2013, i.e. only 6.5% of the total amount of € 20 405 million for competitiveness, entrepreneurship and the social agenda; this makes increased social cohesion impossible, and prevents the creation of jobs with rights, something which affects women above all;

\(^1\) Not yet published in OJ.
3. Rejects the creation of a single instrument for social issues - Progress -, and affirms that adequate funding of the various tasks must be guaranteed, that greater attention must be paid to the involvement of women in the various programmes and that there must be a clear differentiation of the actions relating to equality and anti-discrimination policy specifically aimed at promoting the rights and involvement of women, with the establishment of a programme like ‘Equality between Women and Men 2013’ and new funding for the new European Gender Institute;

4. Asks the Commission to provide more information on the post-2008 continuity of the Daphne II programme and its funding in 2007 and 2008;

5. Recalls that equality between women and men must be included in all Community policies across the board, and draws particular attention to the major areas of expenditure like the Structural Funds;

6. Supports the Commission’s position with regard to upholding a period of seven years for the financial perspective, and rejects the strategy put forward by those who wish to reduce the Community budget to 1% of Community GDP;

7. Proposes introducing a new objective, on human resources, under Objective 1 of the Structural Funds, to include regions whose average is less than 75% of the Community average with regard to those who have completed their higher education, to be added to the present indicator;

8. Stresses the need to establish the binding gender mainstreaming criteria between the European Social Fund and the National Action Plans for employment and social inclusion, and to guarantee that they are adequately funded.
## PROCEDURE

<table>
<thead>
<tr>
<th>Title</th>
<th>Policy challenges and budgetary means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>References</td>
<td>(2004/2209(INI))</td>
</tr>
<tr>
<td>Committee responsible</td>
<td>FINP</td>
</tr>
<tr>
<td>Committee asked for its opinion</td>
<td>FEMM</td>
</tr>
<tr>
<td>Date announced in plenary</td>
<td>15.9.2004</td>
</tr>
<tr>
<td>Enhanced cooperation</td>
<td>No</td>
</tr>
<tr>
<td>Drafts(wo)man</td>
<td>Ilda Figueiredo</td>
</tr>
<tr>
<td>Date appointed</td>
<td>25.11.2004</td>
</tr>
<tr>
<td>Discussed in committee</td>
<td>24.1.2005</td>
</tr>
<tr>
<td>Date amendments adopted</td>
<td>25.1.2005</td>
</tr>
<tr>
<td>Result of final vote</td>
<td>for: unanimously</td>
</tr>
<tr>
<td></td>
<td>against: 0</td>
</tr>
<tr>
<td></td>
<td>abstentions: 0</td>
</tr>
<tr>
<td>Substitutes present for the final vote</td>
<td>Katerina Batzeli, Jillian Evans, Anna Hedh, Sophia in ’t Veld, Elisabeth Jeggle, Karin Jöns, Christa Klaß, Karin Resentarits, Zuzana Roithová, Marta Vincenzi</td>
</tr>
<tr>
<td>Substitutes under Rule 178(2) present for the final vote</td>
<td>Kathy Sinnott</td>
</tr>
</tbody>
</table>
**PROCEDURE**

<table>
<thead>
<tr>
<th><strong>Title</strong></th>
<th>Policy Challenges and Budgetary Means of the enlarged Union 2007-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procedure number</strong></td>
<td>(2004/2209(INI))</td>
</tr>
<tr>
<td><strong>Basis in Rules of Procedure</strong></td>
<td>Rule 175</td>
</tr>
<tr>
<td><strong>Committee responsible</strong></td>
<td>FINP</td>
</tr>
<tr>
<td><strong>Date authorisation announced in plenary</strong></td>
<td>15.9.2004</td>
</tr>
<tr>
<td><strong>Committee(s) asked for opinion(s)</strong></td>
<td>AFET 15.9.2004, DEVE 15.9.2004, INTA 15.9.2004, CONT 15.9.2004, ECON 15.9.2004</td>
</tr>
<tr>
<td><strong>Date announced in plenary</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Committee(s) not delivering opinion(s)</strong></td>
<td>EMPL 15.9.2004, ENVI 15.9.2004, ITRE 15.9.2004, IMCO 15.9.2004, TRAN 15.9.2004</td>
</tr>
<tr>
<td><strong>Enhanced cooperation</strong></td>
<td>AFCO 15.9.2004, FEMM 15.9.2004</td>
</tr>
<tr>
<td><strong>Date announced in plenary</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Motion(s) for resolution(s) included in report</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Rapporteur(s)</strong></td>
<td>Reimer Bőge</td>
</tr>
<tr>
<td><strong>Date appointed</strong></td>
<td>14.10.2004</td>
</tr>
<tr>
<td><strong>Previous rapporteur(s)</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>19.4.2005 26.4.2005</td>
</tr>
<tr>
<td><strong>Date adopted</strong></td>
<td>10.5.2005</td>
</tr>
<tr>
<td><strong>Result of final vote</strong></td>
<td>for: 29, against: 9, abstentions: 4</td>
</tr>
<tr>
<td><strong>Members present for the final vote</strong></td>
<td>Josep Borrell Fontelles, Terence Wynn, Gerardo Galeote Quecedo, Dariusz Rosati, Inês Ayala Sender, Jean Marie Beaupuy, Margrietus van den Berg, Jana Bobošíková, Reimer Bőge, Giles Chichester, Paolo Cirino Pomicino, Jean-Luc Dehaene, Bárbara Dührkop Dührkop, James Elles, Szabolics Fazakas, Markus Ferber, Salvador Garriga Polledo, Bronislaw Geremek, Robert Goebbels, Lutz Goepel, Dariusz Maciej Grabowski, Friedrich-Wilhelm Gnaefc zu Baringdorf, Catherine Guy-Quint, Konstantinos Hatzidakis, Anne Elisabet Jensen, Othmar Karas, Constanze Angela Krehl, Alain Lamassoure, Janusz Lewandowski, Helmut Markov, Jean-Claude Martinez, Jan Mulder, Francesco Musotto, Ria Oomen-Ruijten, Giovanni Pittella, Wojciech Roszkowski, Esko Seppänen, José Albino Silva Peneda, Peter Šťastný, László Suryán, Catherine Trautmann, Helga Trüpel, Kyösti Tapio Virrankoski, Ralf Walter, Graham Watson, Lars Wohlin, Jan Zahradil</td>
</tr>
</tbody>
</table>
| **Substitutes present for the final vote** | Katerina Batzeli, Kathalijne Maria Buitenweg, Simon Busuttil, Panayiotis Demetriou, Gérard Deprez, Mia De Vits, Valdis Dombrovskis, José Manuel García-Margallo y Marfil, Lidia Joanna Geringer de Oedenberg, Neena Gill, Françoise Grossetête, Jutta D. Haug, Ville Itäli, Tunne Kelan, Miloš Koterec,
<table>
<thead>
<tr>
<th>Substitutes under Rule 178(2) present for the final vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamila Madeira, Pasqualina Napoletano, Jan Olbrycht, Libor Rouček, Gilles Savary, Alyn Smith, Margarita Starkevičiūtė</td>
</tr>
<tr>
<td>Luis Manuel Capoulas Santos, Elisa Ferreira, Albert Jan Maat, Lambert van Nistelrooij, Antonis Samaras</td>
</tr>
</tbody>
</table>

| Date tabled – A6 | 19.5.2005 | A6-0153/2005 |