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Committee on Budgets

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DRAFT REPORT

on the draft general budget of the European Union for the financial year 2008
(C6-0287/2007 – 2007/2019(BUD))

and Letter of amendment No 1/2008 (SEC(2007)1140) to the draft general
budget of the European Union for the financial year 2008

Section III – Commission

Part 1: Motion for a resolution

Committee on Budgets

Rapporteur: Kyösti Virrankoski

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Part 2 – A6-0000/2007

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the draft general budget of the European Union for the financial year 2008, Section III – Commission (C6-0287/2007 – 2007/2019(BUD)) and Letter of amendment No 1/2008 (SEC(2007)1140) to the draft general budget of the European Union for the financial year 2008

The European Parliament,

- having regard to Article 272 of the EC Treaty and Article 177 of the Euratom Treaty,
- having regard to Council Decision 2000/597/EC, Euratom of 29 September 2000 on the system of the European Communities' own resources¹,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities²,
- having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management³,
- having regard to its resolution of 24 April 2007 on the Commission's annual policy strategy for the 2008 budget procedure⁴,
- having regard to the preliminary draft general budget of the European Union for the financial year 2008, which the Commission presented on 2 May 2007 (SEC(2007)0500),
- having regard to the draft general budget of the European Union for the financial year 2008, which the Council established on 13 July 2007 (C6-0287/2007),
- having regard to the decision of its Committee on Budgets of 9 July 2007 on the mandate for the 2008 budget conciliation procedure given before the Council's first reading⁵,
- having regard to Letter of amendment No 1/2008 (SEC(2007)1140) to the draft general budget of the European Union for the financial year 2008,
- having regard to Rule 69 and Annex IV of its Rules of Procedure,
- having regard to the report of the Committee on Budgets and the opinions of the other committees concerned (A6-0000/2007),

Key issues - Overall figures, MFF revision proposal, Letter of amendment No 1

1. Recalls that its political priorities for the 2008 budget were set out in its abovementioned

¹ OJ L 253, 7.10.2000, p. 42.

² OJ L 248, 16.9.2002, p. 1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1).

³ OJ C 139, 14.6.2006, p. 1.

⁴ *Texts Adopted*, P6_TA(2007)0131.

⁵ PE 391.970.

APS resolution of 24 April 2007, building on the approaches taken in the preparation of budget 2007 and the negotiations leading to the Inter-institutional Agreement (IIA) of 17 May 2006; underlines that the "budget for results" approach endorsed in that resolution is built upon the pillars of transparent presentation, clear objectives and accurate implementation, such that the Commission is judged not on the basis of bureaucratic process but on the results it delivers towards politically agreed objectives; will continue to emphasise these elements in its further work on the 2008 budget;

2. On overall figures, deplors the fact that the Council reduced commitment appropriations in the Draft Budget (DB) 2008 by EUR 717 million relative to the preliminary draft budget (PDB), such that commitment appropriations were reduced to EUR 128 401 million; takes a strong position against Council's cuts to overall payments in the DB by EUR 2 123 million which left total payments at EUR 119 410 million, equivalent to 0.95% of EU GNI, thus leaving a margin of more than EUR 10 billion beneath the payments ceiling of the multi-annual financial framework (MFF) for 2008;
3. As regards commitment appropriations, is particularly critical of cuts made by the Council to appropriations for programmes with multi-annual envelopes that have only very recently been negotiated and agreed in co-decision with the European Parliament; proposes, in its first reading on the 2008 budget, to restore these cuts and to make a number of increases in commitment appropriations to reach an aggregate level of EUR xxx xxx million;
4. As regards payment appropriations, considers 0.95 % of EU GNI to be an insufficient figure in the light of the policy challenges faced by the EU; expresses its astonishment that the Council should propose over EUR 1 billion of cuts to payments in headings 1a and 1b for programmes identified as priorities under the Lisbon Strategy for improving European competitiveness and cohesion - a long-standing priority of the Council and Parliament; therefore proposes increases in the overall level of payments to 0.99 % (*comment - to be confirmed at political level*) of EU GNI; in line with the emphasis on accurate implementation in the "budget for results" approach, has focused these increases on Lisbon priorities and on programmes where levels of unpaid commitments ("*reste à liquider*" (RALs)) are persistently high;
5. Notes the Commission's proposal of 19 September 2007 requesting a revision of the MFF to provide adequate financing for Galileo and the European Institute of Technology (EIT) over the 2007 - 2013 period; on Galileo, recalls its resolution of 20 June 2007¹ in favour of a Community solution for Galileo; on EIT, considers that the appropriations ought to be budgeted under the policy area "08 research"; recalls that the appropriations for Galileo and for the EIT were placed in the reserve but were not reduced by the Council in the DB; has proposed amendments for Galileo and EIT in its first reading such that the final appropriations in budget 2008 are contingent upon a satisfactory agreement on the proposed revision of the MFF;
6. Takes note of the letter of amendment to the preliminary draft budget 2008 adopted by the Commission on 17 September 2007 and in particular the increases in commitment appropriations proposed for Kosovo (EUR 120 million) and Palestine (EUR 142 million)

¹ *Texts Adopted*, P6_TA(2007)0272.

totalling EUR 262 million over the PDB figures; notes that the Council also proposed increased commitment appropriations for Kosovo and Palestine totalling EUR 260 million in the DB; considers that the Commission and Council should provide a clear explanation of the strategy underlying the proposed increases and the division of appropriations between EC and CFSP categories for Kosovo in advance of Parliament's second reading on the 2008 budget;

7. Takes note of the Commission's communication of 12 September 2007 on "reforming the budget, changing Europe" (SEC(2007)1188); highlights the fact that the standing rapporteur for the 2007 - 2013 MFF has already prepared a document on this issue and will continue to lead Parliament's further reflections and work on the future of EU budgetary arrangements;

Delivering a budget for results - building on the first reading conciliation

8. Welcomes the agreement of five joint statements, annexed to this resolution, between the European Parliament and Council at the first reading conciliation on the 2008 budget of 13 July 2007; has reinforced the political importance of these statements by taking them into account in the preparation of amendments to the draft budget in line with the "budget for results" approach;
9. On structural, cohesion and rural development programmes, has placed 30 % of appropriations in reserve on the relevant administrative expenditure lines pending improvements, via streamlined administrative procedures, in the approval by the Commission of the operational programmes and projects presented by the Member States;
10. On recruitment and redeployment, has placed EUR xx million in reserve pending the following from the Commission:

- comment: add criteria from the amendment

11. On assigned revenues, insists on improved transparency in this area; proposes changes to the use of assigned revenues by decentralised agencies with a view to a closer matching of assigned revenues to specific agencies; expresses its concern that the use of assigned revenue within the sugar restructuring fund has created a *de facto* "budget within a budget" that is difficult to reconcile with the budgetary principle of universality enshrined in the Financial Regulation; expresses its openness to revise the Financial Regulation as regards assigned revenue;
12. On decentralised agencies, (*comment - add text in due course*)
13. On executive agencies, considers that such agencies must not, either now or in the future, lead to an increase in the share of administrative cost; underlines that any proposal for the creation of a new executive agency must be based on a comprehensive cost-benefit analysis and that lines of accountability and responsibility should be clearly set out in the proposal;
14. Welcomes the fact that the activity statements provided with the PDB 2008 delivered an

improved focus on objectives and indicators of results rather than long descriptions of administrative process; notes, however, that there remains a significant gap between Commission Directorates-General as regards the quality of Activity Statements; expects further improvements in future years;

15. Considers that performance indicators are now being used by the Commission as an integral part of ex ante budgetary planning, but requests that performance indicators should play a stronger role in ex post performance evaluation; is of the opinion that the data provided in activity statements should be better integrated with the annual activity reports of each Directorate-General; considers that this would assist the Budgetary Authority in monitoring the extent to which additional resources requested lead to the delivery of results and not simply to the creation of additional bureaucracy;
16. Welcomes the monitoring group exercise conducted by the Committee on Budgets during the course of 2007; is of the view that this exercise contributed to an enhanced level of budgetary monitoring during 2007; continues to support the Budget Forecast Alert (BFA) system as a contribution to improving budget implementation; requests that the second BFA document be presented in September, and not October, 2008 so that Parliament may take this document into account in preparing its first reading on the draft budget 2009;
17. Recalls that, in accordance with Article 53c of the Financial Regulation and Point 44 of the IIA of 17 May 2006, aiming at ensuring effective and integrated internal control of Community funds and national management declarations as a final goal, the Member States have committed themselves to "produce an annual summary at the appropriate national level of the available audits and declarations"; notes that, according to information received from the Commission, only a limited number of Member States have complied with the provisions of the IIA so far; reminds the Member States of their obligation to comply with the provisions of the Financial Regulation and IIA;

Specific issues - main elements by budget heading, pilot projects, preparatory actions

18. On heading 1a, "Competitiveness for growth and employment", rejects the cuts in commitment and payment appropriations made by the Council in its first reading, especially where these cover multi-annual programmes recently co-decided with Parliament that aim to deliver on the Lisbon Strategy; restores these cuts and proposes increases on a number of lines that are political priorities for Parliament; proposes a number of pilot projects and preparatory actions in line with its budgetary prerogatives;
19. On heading 1b, "Cohesion for growth and employment", deplors the cuts in payment appropriations made in the Council's first reading; restores these cuts and proposes increases totalling EUR x xxx million in payments on lines where RALs have been consistently high in recent years; demands more streamlined administrative procedures in order to improve implementation of operational programmes for structural and cohesion funds also in terms of qualitative aspects which have the strongest impact of the Union on its citizens' lives;
20. On heading 2, "Preservation of natural resources", is strongly opposed to the indiscriminate cuts proposed by Council to many lines under this heading of the budget; restores the PDB for many such lines but notes that the Council will have the final say on

those lines which concern compulsory expenditure; demands clearer presentation of the figures for market measures and direct aids in future budgetary procedures; is concerned by the slow rate of adoption of operational programmes as regards the rural development pillar of the CAP, a long-standing priority of Parliament; expects to see rapid improvements in this regard;

21. On heading 3a, "Freedom, security and justice", places appropriations for the Return Fund in reserve pending the adoption of the legal base; also places appropriations in reserve pending the provision of improved information to Parliament regarding the fight against crime; underlines the importance of the work of the Frontex agency;
22. On heading 3b, "Citizenship", deplors the cuts made by the Council under this heading, which would affect programmes such as Culture 2007, Media 2007 and Youth in action; restores the PDB and proposes appropriations for a number of new and ongoing pilot projects and preparatory actions in this regard;
23. Seeks to encourage a stronger voice for less well represented groups in civil society, combating all forms of discrimination and strengthening the rights of women, children, disabled and older persons;
24. On heading 4, "EU as a global partner", notes the increases proposed by Council in the DB for Kosovo and Palestine and the increases in the letter of amendment to the PDB of 17 September 2007 by the Commission; demands a clear explanation from Commission and Council of the division of proposed appropriations between EC/ first pillar and CFSP spending; (cuts CFSP spending and) places a larger proportion of planned spending for Kosovo under the Instrument for pre-accession (IPA) in expectation of such an explanation in advance of its second reading on budget 2008; restores the PDB for the Emergency Aid Reserve further to cuts by Council; (*comment - add further elements in due course*)
25. On heading 5, "Administration", considers that clear lines of responsibility and accountability are an essential component of continuing the process of modernising the EU's administration; recalls that clear political objectives and individual responsibility for carrying them out against indicators of performance should be the direction of future reforms of the system;
26. In this context, deplors the inefficiencies inherent in a competition system that can leave "approved candidates" languishing on a reserve list for years with no guarantee of being offered a position; considers that maintaining this approach would contribute to lowering the average standard of new EU officials as the best candidates will seek employment in more dynamic sectors of the EU economy; requests a serious commitment from the Commission to look again at this issue in the context of follow-up work to the screening exercise;
27. Restores the PDB for the cuts made by Council to appropriations and establishment plans in heading 5; places EUR xx million in reserve pending the provision of the abovementioned data and studies; wishes to maintain and develop a constructive inter-institutional dialogue regarding ongoing efforts to improve administrative practices in the EU institutions; underlines the importance of adequate recruitment from "EU 12"

Member States;

28. On pilot projects; *(add text in due course)*

29. On preparatory actions, *(add text in due course)*

30. Takes note of the opinions voted by the specialised committees as contained in report A6-xxxx/2007;

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31. Instructs its President to forward this resolution, together with the amendments and proposed modifications to Section III of the draft general budget, to the Council and Commission, and to the other institutions and bodies concerned.

EXPLANATORY STATEMENT

Working document on a budget for results

This working document is the first in the series that will be produced by the general rapporteur during the course of the preparation of the 2008 budget.

2. In the budgetary negotiations that will take place in the second half of this year, the European Parliament will achieve most vis-à-vis the Commission and Council if it is able to negotiate on the basis of broadly shared objectives and common goals. Your rapporteur therefore underlines his intention to consult regularly with members of Parliament, its specialised committees and, in particular, his colleagues on the Budgets Committee, with a view to building a strong Parliamentary approach to the 2008 budget.
3. Your rapporteur notes that this working document has benefited from the debate and views expressed during the first exchange of views on priorities for the 2008 budget held in the Committee on Budgets on 23 January 2007.
4. The structure of the working document is as follows. The first section sets out the rapporteur's concept of a budget for results. The second section focuses on the early stages of the annual budget procedure and on issues linked to the structure of the EU budget and human resources. The third section deals with policy priorities.
5. Preparatory work on the 2008 budget is of course not being conducted in a vacuum. In terms of the politics of the European Union, 2007 sees the 50th anniversary of the signing of the Treaty of Rome and a renewed push to make progress on the Constitutional Treaty. Globalisation, with all of its attendant opportunities and challenges - economic, social and environmental - appears set to continue apace and issues such as energy security, climate change and migration are gaining ever greater prominence.
6. As regards the financing of the European Union, 2007 is the first year of the 2007 - 2013 multi-annual financial framework (MFF). The 2008 budget will therefore be the second to be agreed within the overall ceilings set out in annex 1 (attached as annex 1 of this working document) of the 17 May 2006 inter-institutional agreement (IIA). 2008 will be the penultimate year of Parliament's sixth legislature and of the Barroso Commission. As a result, the 2008 budget will be prepared in the context of further work towards the review of the financial perspective concerning both revenue and expenditure. The 2008 budget will build upon the 2007 budget. Your rapporteur highlights the work of the standing rapporteurs on the financial perspective, own resources, and of the 2007 general rapporteur, respectively, and notes that annex 2 of this working document sets out the summary results of the 2007 budget procedure by MFF budget heading. These figures provide the backdrop to the work ahead in preparing the 2008 budget.

I. A budget for results

7. The 2008 general rapporteur proposes that the 2008 budget should be a "budget for results". The overall philosophy that your rapporteur proposes to the Committee builds directly upon the approach of the 2007 general rapporteur. A "budget for results" means that what counts in the end is the policy outcome. The Budgetary Authority should focus a great deal of attention on ensuring that policy is delivered to meet the political objectives for which it was legislated in the first place. For example:
- Is European policy actually improving citizens' lives?
 - Is European education and training policy building a mature understanding of European culture and values and improving the skills of young people in a way that raises EU competitiveness in the modern, globalised economy?
 - Is research and development support leading to modernisation and enhanced efficiency of EU companies, reflected, for example, by more patents being filed by EU companies?
 - Is regional policy raising GDP per capita in the less-developed regions of the EU?
 - Is the EU fulfilling its obligations as a global player in an effective and balanced way?
8. In order to answer these questions, hard evidence is needed on the impact of spending. Your rapporteur intends to invite the Commission to present such data on evidence of the delivery of political objectives to the benefit of EU citizens to the Committee on Budgets. He wishes to build on the approach taken in the 2007 budget procedure to use studies and evidence from external experts to try to gather evidence about the effectiveness of EU spending. This should serve in turn to increase the impact of Parliament's role as one half of the Budget Authority in ensuring that public money is well spent. Your rapporteur therefore wishes to see a number of studies conducted on behalf of the Committee on Budgets, which can then inform priorities during the budget negotiation. A number of ideas are set out in the second section of this working document.
9. Your rapporteur notes the excellent outcome that Parliament was able to achieve on the revision of the Financial Regulation during 2006. However, he considers that there remain examples in which an excessively legalistic approach to the process of implementing EU policy hampers effective and efficient delivery. Striking the right balance between, on the one hand, trust, and, on the other, a structure of rules to prevent malfeasance, is one of the major challenges of an effective approach to budgetary monitoring and oversight.

II. Budget process and budget structure

The Annual Policy Strategy

10. The Commission is due to present its Annual Policy Strategy (APS) for 2008 on 22 February. The APS is an important document that sets out the Commission's policy objectives for 2008. The Commission's proposal for the financing of these objectives is the preliminary draft budget (PDB) 2008, which is likely to be adopted on 2 May 2007. It is therefore imperative that Parliament is able to communicate a coherent set of priorities of its own for the 2008 budget year in advance of 2 May in order that the Commission can incorporate these priorities into the 2008 PDB. Your rapporteur intends to use this working document, and the subsequent comments of fellow members of the Budgets

Committee, in preparing his draft report on the 2008 APS. The APS resolution should then serve as a tool of Parliamentary influence in advance of the adoption by the Commission of the PDB.

Activity-based budgeting and activity statements

11. Your rapporteur has long been a supporter of the activity-based budgeting (ABB) concept, which has at its heart the objective of matching financial and human resources to political priorities. He was a strong supporter of the introduction of the ABB approach into the Commission's resource budgeting system, which allocated resources across "policy areas" (also sometimes referred to as budget "titles") that essentially mapped directly onto each of the Commission's Directorates-General (DGs). Spending on environmental policy, for example, is therefore covered under budget title 07 "Environment". This spending is allocated to the Commission's Environment Directorate-General. In broad terms the ABB concept has allowed the Budgetary Authority to gain a better grip on the direction of spending.
12. However, your rapporteur wishes to highlight that the ABB approach and the heading structure of the financial perspective and its multi-annual envelopes (see annex 1) are not easily reconciled. Whilst the financial perspective headings are a useful political categorization of the EU spending for 2007 - 2013, overlapping ABB budget titles and MFF heading categorisations can lead to obfuscation. For example, in the 2007 PDB, the policy area/ budget title "Environment" is spread across 4 MFF headings (2, 3b, 4 and 5). Your rapporteur wishes to underline that clarity of presentation by the Commission of its spending proposals is important for proper scrutiny of spending by the Budgetary Authority.
13. The activity statements that each Commission Directorate-General produces on the objectives, activities and outcomes of its policies are a key tool for the Budgetary Authority to assess the extent to which the ABB approach is functioning. The activity statements are produced by each Commission DG and included in the PDB. Your rapporteur welcomes the production of these documents but notes that they have, in the past, focussed too much on long descriptions of process and insufficiently on the link between policy objectives and policy outcomes. Your rapporteur intends to look closely at the activity statements for 2008.

Human resources

14. Before turning to policy priorities for the 2008, your rapporteur wishes also to highlight the importance of human resources. The Parliament supported a number of elements of the Commission's argument against stringent cuts in Commission staffing levels during the 2007 budget procedure, but demanded a screening exercise to be carried out by the Commission on its real staffing needs by 30 April 2007. Your rapporteur awaits this document with interest.
15. An issue linked to the debate about the MFF/ ABB budget structures is that heading 5 "administration" may not be capturing all of the real administration costs of the Commission. In the context of the ongoing work of the Committee on Budget's standing rapporteur on agencies, it is worth highlighting three specific issues at this early stage of preparatory analysis for the 2008 budget procedure. First, the Commission appears to be

making increasing use of executive agencies to deliver specific policies. Where executive agencies take work away from the "parent" DG previously conducting these tasks, other things equal fewer staff should be needed in the "parent" DG. The budget 2008 activity statements should deal with this issue. Second, executive agencies are just one example of the apparent growth of an "outsourcing" culture within the Commission that may be seeing implementation activities handed out to "ad hoc bodies" that are not clearly specified in the Financial Regulation. Such "outsourcing" may help to ensure more effective implementation, but it should be done in a manner that is transparent to the Budgetary Authority and which does not lead to an expansion of hidden human resources costs that are not easily visible in heading 5 of the budget. Third, it is important that there is effective oversight of the implementation tasks carried out by agencies, executive agencies and other ad hoc bodies, which all employ a higher proportion of staff on fixed term contracts than the Commission itself. Further information is required on the human resources policies of these bodies in order to assess the level of oversight and to ensure that there exists an appropriate level of individual responsibility for the staff they employ.

III. Policy priorities

16. Your rapporteur considers that Parliament's resolution on the Commission's Annual Policy Strategy is the appropriate place for a presentation of its policy priorities for the 2008 budget. He does not attempt to set out a comprehensive list here. However, in line with the "budget for results" approach, the remainder of this working document sets out some ideas on key themes and priorities. These priorities are presented in the form of topics for studies that the Committee on Budgets might commission to external experts. If these studies can be presented to the committee before the summer break, then they might provide stimuli for the main stages of budgetary procedure in the autumn. It would of course be important to ensure that these studies were consistent with work being conducted in the specialised committees.

The topics covered might also provide ideas for pilot projects and preparatory actions, on which Annex II (D) of the IIA includes the commitment for the Parliament to come forward with its intentions by mid-June.

17. Your rapporteur has striven to include ideas from colleagues, in particular during the discussion in the Committee on Budgets on 23 January. He looks forward to further discussion with colleagues.

Policy priorities and issues for further study

- **EU competitiveness and life-long learning**

18. The high living standards of EU citizens relative to other regions of the world are reflected in a relatively high cost-base for EU companies. EU companies therefore need to be adaptable and to employ well-trained staff to compete in a globalised economy. Consequently, the European economy depends, to a large degree, on the skills of its people. The service sector represents over 70 percent of employment in some of the wealthiest regions of the EU and the general trend, linked to the ongoing process of globalisation, would seem to be towards further growth in the services sector in Europe. EU economic competitiveness is too often characterised in terms of industrial numbers.

These matter, but are only a part of the story. The life-long learning programme is an important element of efforts to help European citizens to engage with a globalised world. The study could look at the, perhaps sometimes neglected, economic value added of the scheme by looking at the opportunities that the scheme helps to create for those involved.

- **The EU as a global player/ assessment of the budgetary implications of the EU's growing role in civilian and military crisis missions**

19. In recent years the EU's engagement in civilian and military crisis missions has increased very significantly. Such missions can be financed through the Stability Instrument, CFSP budget, Athena mechanism or national contributions. Partly in view of the forthcoming mission to Kosovo, this study would seek to draw lessons from previous missions as regards the most appropriate/ effective means of providing finance for different types of mission. The study would also examine the degree of parliamentary oversight that can be achieved through the various funding approaches. The study could also usefully set out the linkages between the financing decisions and the "life-cycle" of a mission: from inception to post hoc evaluation.

- **Evaluating administrative reform in the European Commission**

20. This study would seek to evaluate the effectiveness of the "Kinnock" reforms in streamlining the administration of the European Commission. The study would examine the extent to which the reforms have improved recruitment and promotion on the basis of merit, staff and financial management procedures within the Commission. The Activity-based budgeting (ABB) approach was also introduced in recent years as a means of better matching Commission resources to policy objectives. The study should also examine the extent to which this has been effective and any cross-linkages that may have occurred between the Kinnock reforms and the introduction of ABB.

- **Improving the impact of the structural funds on achieving the Lisbon objectives**

21. The structural funds are aimed at funding structural and cohesion policy in the EU's less-developed regions and are spent according to programmes presented by member states. However, the Lisbon Goals include a commitment to raise EU spending on research and development to 3% of EU GDP. The 7th research framework programme is designed to help achieve this objective, but there is scope for a greater contribution from existing structural funds. The Commission's Annual Progress report on Lisbon from December 2006 indicates that member states could be doing more in this area. This may be particularly so for those member states that joined the EU in 2004 and 2007. The study should therefore look at the extent to which existing structural funds are really contributing to enhancing the EU's R+D capacity and suggest measures through which this contribution could be improved.

- **Assessment of EU funding for illegal migration monitoring**

22. The EU's external borders are subject to a permanent and a considerable migratory pressure, with the whole of the southern border under particular pressure. The necessity to better control the EU's external borders is one of the top priorities of the European Parliament. This study should therefore assess EU funding for illegal migration

monitoring to compare the financial resources given to the new instruments such as the External Borders Fund, European Refugee Fund, European Fund for the integration of third-country nationals as well as the FRONTEX Agency, with their aims and policy objectives. The study should also cover the assessment of whether the funds and the division between different instruments are optimal to achieve policy goals and give support to member states coping with immigration.

- **Does the EU have the financial resources available to meet its common objectives on energy policy and climate change?**

23. The Commission presented major communications in January 2007 on climate change and an energy policy for Europe. The communications set out ambitious objectives as regards sustainability, security and competitiveness of supply. Within the EU budget, as within any budget, there is competition between competing priorities for limited funds. However, given the prominence that energy/ climate change policies have acquired in recent years, this study would examine whether the financial resources available have been able to keep pace? This study should therefore compare the financial resources available with the real needs that the policy objectives imply and make suggestions about how additional financing, if considered necessary, might be most effectively and transparently used.

- **Funding the multifunctionality of European agriculture**

24. The multifunctionality of the agricultural sector has long been recognised in European policymaking. An important element of the rural development pillar of the Common Agricultural Policy (CAP) concerns programmes to ensure the sustainability of European farmland, countryside and rural livelihoods. The European Union now includes 27 member states, and the CAP will undergo further reforms in the future. In this context, this study could begin by describing the changes in rural development policy so far enacted. It could then examine scenarios concerning what further developments in rural development policy might imply for the European agricultural sector: how would this affect farmers' activities and incomes? what role would there be for innovative agricultural businesses, including in the bio-technology area? how would these changes fit with international obligations under the WTO and other international bodies? Given that the CAP overall accounts for roughly 40% of EU spending, there are important financial implications for any changes to EU agricultural policy. The study should also therefore examine the financial consequences of the scenarios explored.

- **Information and communication policy and "going local"**

25. In an age of ever-broadening internet communication, the enlarged European Union of 27 members faces a major challenge in communicating with citizens. A theme that has developed in recent years is the importance of communicating with citizens in a way that is readily accessible to them. This does not just mean in a language that they speak, but also in a media context that can relate European themes to the real lives and concerns of people in the region in which they live. The Commission is devoting significant resources to "going local" and the Parliament adopted a pilot project on "pilot information networks" in the 2007 budget that aimed to link up better national politicians, journalists and opinion-formers with the EU machinery of Brussels. This study could look at lessons

from these efforts: what works? what does not? where are more resources needed? how should they be spent?

FINANCIAL FRAMEWORK 2007-2013

(EUR million -
2004 prices)

COMMITMENT APPROPRIATIONS	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
1. Sustainable Growth	51 267	52 415	53 616	54 294	55 368	56 876	58 303	382 139
1a Competitiveness for Growth and Employment	8 404	9 097	9 754	10 434	11 295	12 153	12 961	74 098
1b Cohesion for Growth and Employment	42 863	43 318	43 862	43 860	44 073	44 723	45 342	308 041
2. Preservation and Management of Natural Resources of which: market related expenditure and direct payments	54 985	54 322	53 666	53 035	52 400	51 775	51 161	371 344
	43 120	42 697	42 279	41 864	41 453	41 047	40 645	293 105
3. Citizenship, freedom, security and justice	1 199	1 258	1 380	1 503	1 645	1 797	1 988	10 770
3a. Freedom, Security and Justice	600	690	790	910	1 050	1 200	1 390	6 630
3b. Citizenship	599	568	590	593	595	597	598	4 140
4. EU as a global player	6 199	6 469	6 739	7 009	7 339	7 679	8 029	49 463
5. Administration⁽¹⁾	6 633	6 818	6 973	7 111	7 255	7 400	7 610	49 800
6. Compensations	419	191	190					800
TOTAL COMMITMENT APPROPRIATIONS	120 702	121 473	122 564	122 952	124 007	125 527	127 091	864 316
as a percentage of GNI	1,10%	1,08%	1,07%	1,04%	1,03%	1,02%	1,01%	1,048%
TOTAL PAYMENT APPROPRIATIONS	116 650	119 620	111 990	118 280	115 860	119 410	118 970	820 780
as a percentage of GNI	1,06%	1,06%	0,97%	1,00%	0,96%	0,97%	0,94%	1,00%
Margin available	0,18%	0,18%	0,27%	0,24%	0,28%	0,27%	0,30%	0,24%
Own Resources Ceiling as a percentage of GNI	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%	1,24%
(1) The expenditure on pensions included under the ceiling for this heading is calculated net of the staff contributions to the relevant scheme, within the limit of EUR 500 million at 2004 prices for the period 2007-2013.								

2007 Budgetary Procedure

Parliament's Second Reading - 14 December 2006 Multi-annual Financial Framework - Margins

Cat.	2007 MFF		Council 2nd Reading		Parliament amendments		Parliament's 2nd Reading		Margins left by EP	
	Commitments	Payments	Commitments	Payments	Commitments	Payments	Commitments	Payments	Commitments	Payments
1	54.405.000.000	0	54.274.887.015	44.137.342.319	80.065.000	724.708.000	54.354.952.015	44.862.050.319	50.047.985	0
1a	8.918.000.000	0	8.788.328.511	6.772.076.511	79.839.000	299.708.000	8.868.167.511	7.071.784.511	49.832.489	0
1b	45.487.000.000	0	45.486.558.504	37.365.265.808	226.000	425.000.000	45.486.784.504	37.790.265.808	215.496	0
<i>European Global Adjustment Funds (outside the MFF & margin)</i>			<i>500.000.000</i>	<i>0</i>			<i>500.000.000</i>			
2	58.351.000.000	0	56.240.800.036	54.665.465.736	9.430.000	53.080.000	56.250.230.036	54.718.545.736	2.100.769.964	0
3	1.273.000.000	0	1.149.840.000	1.049.687.652	96.606.000	127.278.000	1.246.446.000	1.176.965.652	26.554.000	0
3a	637.000.000	0	561.695.000	400.145.000	62.138.000	73.538.000	623.833.000	473.683.000	13.167.000	0
3b	636.000.000	0	588.145.000	649.542.652	34.468.000	53.740.000	622.613.000	703.282.652	13.387.000	0
4	6.578.000.000	0	6.401.214.000	7.179.921.578	176.719.000	172.825.154	6.577.933.000	7.352.746.732	67.000	0
<i>Emergency Aid Reserve (outside the MFF & margin*)</i>			<i>234.527.000</i>	<i>0</i>			<i>234.527.000</i>			
5	7.115.000.000	0	6.849.570.101	6.849.470.101	92.793.929	92.793.929	6.942.364.030	6.942.264.030	172.635.970	0
6	445.000.000	0	444.646.152	444.646.152	0	0	444.646.152	444.646.152	353.848	0
Total	128.167.000.000	123.866.000.000	126.095.484.304	114.326.533.538	455.613.929	1.170.685.083	126.551.098.233	115.497.218.621	2.350.428.767	8.368.781.379

Working document on the research policy of the European Union under the current multi-annual financial framework

Introduction

This working document analyses the financial resources that the European Union provides for research and innovation bearing in mind that 2007 was the first year of spending within the new 2007-2013 multi-annual financial framework (MFF) and therefore only the beginning of a number of new programmes.

Key budget-related issues

The original Commission proposal for the 7th Framework Programme for Research (FP7) foresaw an overall amount of Community financial participation of EUR 72 726 million for the 2007-2013 period. This proposed budget was firmly supported by the European Parliament in its resolution on Policy Challenges and Budgetary Means of the enlarged Union 2007-2013 (Böge report)¹. Following the adoption of the new MFF, the final budget is now significantly lower.

According to the new MFF the maximum indicative overall amount for Community financial participation in the 7th framework programme (FP7) - excluding EURATOM- shall be EUR 50 521 million² for a period of 7 years starting on 1 January 2007.³ The overall amount for EURATOM-related research between 2007 and 2011 will be EUR 2 751 million.⁴ For comparison: the previous Framework Programme (FP6) which covered the period 2002-2006 had a total budget of EUR 17 500 million.⁵

The funding for FP7 is divided between different policy areas: Enterprise (Title 02), Energy and Transport (Title 6), Research (Title 08), Information Society and Media (Title 09), Fish (Title 11), Direct research - Joint Research Centre (Title 10).

FP7 is divided into **7 Specific Programmes**:

Cooperation (EUR 32 413 million for 2007-2013): This is the most important Specific Programme in terms of budget. It aims at promoting research at the highest level of excellence. Support will be provided to trans-national cooperation in nine thematic areas: health, food-agriculture-biotechnology, information-communication technologies, nanosciences-nanotechnologies-materials-new production technologies, energy, environment (including climate change), transport, socio-economic sciences-humanities, security-space.

¹) Texts adopted, P6_TA(2005)0224.

²) This figure is the result of a translation into current prices of the IIA envelope amounting in 2004 prices to EUR 48 081 million.

³) Decision 1982/2006 of the European Parliament and the Council concerning the 7th Framework of Programme of the European Community for research (2007-2013), OJ L 412 of 30 December 2006.

⁴) Council Decision concerning the 7th Framework Programme of EURATOM, OJ L 391 of 30 December 2006. Because of certain provisions in the EURATOM the research programme for EURATOM covers only the period till 2011. However, the programme is supposed to be continued and the overall amount 2007-2013 will be EUR 4061 million.

⁵) Source: European Commission, DG Research.

Ideas (EUR 7 510 million for 2007-2013): The objective of this Specific Programme is to reinforce excellence, dynamism and creativity in European research and improve the attractiveness of Europe for the best researchers from both European and third countries, as well as for industrial research investment, by providing a Europe-wide competitive funding mechanism for "frontier research" executed by individual teams.

People (EUR 4 750 million for 2007-2013): This Programme aims at strengthening the human potential in research and technology in Europe by supporting training and career development of researchers referred to as "Marie Curie Actions" with a better focus on the key aspects of skills and career development and strengthened links with national systems.

Capacities (EUR 4 097 million for 2007-2013): This Specific Programme aims at enhancing research and innovation capacities throughout Europe

- by optimising the use and development of research infrastructures;
- by strengthening innovative capacities of SMEs and their ability to benefit from research;
- by supporting the development of regional research-driven clusters;

Two specific programmes concerning **the Joint Research Centre (non-nuclear: EUR 1 751 million for the period 2007-2013)** and **the Joint Research Centre (nuclear: EUR 517 million for the period 2007-2011)**:

As regards the non-nuclear side of its work, the scientific and technical support which the Joint Research Centre (JRC) gives to the European Union's policies is concentrated mainly in the following areas: prosperity in a highly knowledge-based society, solidarity and responsible resource management, security and freedom and Europe as a world partner. In terms of nuclear activities, the JRC's work focuses mainly on the following themes: management of nuclear waste, environmental impact, nuclear safety (safeguards - non-proliferation) and nuclear security.

Concerning the JRC, the rapporteur would like to ask the Commission to forward recent information on the staffing, the mission statement, current projects being carried out by the JRC and the relation to the proposed European Institute of Technology, the European Research Council as well as the envisaged Executive Agency. The total staff of the Joint Research Centre is currently 1 957 (only permanent posts). In title 10 (Direct Research), which is part of heading 1 a, the appropriations foreseen for expenditure related to research staff in 2007 amount to more than EUR 167 million. This appropriation covers expenditure relating to staff covered by the Staff Regulations occupying posts on the authorised establishment plan of the Joint Research Centre for the execution of tasks entrusted to it.

EURATOM (EUR 2 234 million for 2007-2011): This Specific Programme covers the 2007-2011 period, which in turn is based on Article 7 of the EURATOM Treaty. In accordance with this Article, second paragraph, research programmes are drawn up for a period of not more than *five* years. Hence, this programme (as well as the above-mentioned programme on the JRC - EURATOM) is not for the same duration as the EC Specific Programmes.

The Commission proposes that, unless extenuating circumstances arise, the two Specific Programmes concerning EURATOM will be renewed for the 2012-2013 period, in accordance with the foreseen legislative procedure.

This Specific Programme covers the following two thematic priorities:

- nuclear fusion including ITER as the major step towards, the creation of prototype reactors

for power stations that are safe, sustainable, environmentally responsible and economically viable;

- nuclear fission and radiation protection in order to promote the safe use and exploitation of nuclear fission and other uses of radiation in industry and medicine.

An innovation of FP7 is the establishment of the **European Research Council (ERC)**: the Specific Programme "Ideas" will be implemented according to the principles of scientific excellence, autonomy, and efficiency by means of the ERC consisting of an independent Scientific Council composed of scientists, engineers and scholars of the highest repute, representing the European research community, supported by an implementation structure which would be set up as an **Executive Agency** in accordance with Council Regulation Nr 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes.¹

According to the *Commission another* Executive Agency will be entrusted with certain tasks required to implement the Specific Programmes of indirect actions (all Specific Programmes except for the two concerning the Joint Research Centre).

The Executive Agency was already foreseen in the PDB 2007. However, the EP has deleted this budget line in the Budget 2007 as the Commission had not yet submitted the relevant document (financial statement, cost-benefit analysis etc) required by the Code of Conduct before setting up a new Executive Agency.

Completion of previous framework programme for research (chapter 08 21) and outstanding commitments (RAL)

The completion of previous framework programmes (above all FP5 and FP6) will be one of the main issues for 2007.

Programmes prior to 1999 (article 08 21 01)

Payment appropriations foreseen for the completion of programmes prior to 1999	EUR 125 00
Pre-2006 commitments still outstanding/RAL	EUR 3 210 655
Appropriations that will be de-committed ²	EUR 1 034 655

Completion of the 5th framework programme (1998-2002) article 08 21 02

Payment appropriations foreseen for the completion of the 5th framework programme	EUR 300 816 000
Pre-2006 commitments still outstanding/RAL	EUR 1 149 020 246

Completion of the 6th framework programme (2003-2006) article 08 21 03

Payment appropriations foreseen for the completion of the 5th framework programme	EUR 1 849 133 000
Pre-2006 commitments still out-	EUR 5 318 531 763

¹) OJ L11, 16 January 2003, p.1.

²) according to Art. 77 of the Financial Regulation

standing/RAL

source: Budget 2007

The European Parliament will monitor very closely the implementation of previous research programmes bearing in mind that the funding for the current FP7 represents an increase by 75% compared to the former MFF. The European Parliament also reserves its right to take appropriate action within the 2008 budgetary procedure.

Rules for participation in the research programmes

There has been much discussion on the need for more funding for research. However, there have also been proposals on how to improve the overall cost-benefit balance. The Court of Auditors has looked into the implementation of research programmes and has made recommendations on how to increase the value for money. The main problems concerned the following issues:

- long duration of funding procedures under the current Framework programme (FP6)
- up to 263 calendar days between receipt of documents by Commission and the signing of the contract
- long pre-financing by participants is often necessary (difficult for SMEs)
- a simplification of the whole procedure is badly needed (e.g. through the creation of an integrated database)
- need to reduce administrative cost.

These issues have been tackled by the EP's input on the Regulations laying down the rules for the participation in actions, to which the Committee on Budgets proposed amendments aiming at improving the current system.¹

Furthermore, the EP succeeded in improving considerably the relevant rules laid down in the Financial Regulation bearing in mind the following principles (see Report by Ingeborg Gräßle A6-0057/2006):

- Proportionality of administrative action (the required effort and the work to be put into checking should be proportionate to the amounts and risks involved)
- Improvement of access to grants and streamlining of application procedures
- According to the revised Art. 109 par. 1 of the Financial Regulation "*grants shall be subject to the principles of transparency and equal treatment*"²

Budget implementation in 2006

According to the Commission's report on budget implementation in 2006 (Budget Forecast Alert System) which the Commissioner presented to the Committee on Budgets on 21 March 2007, the implementation in chapter 06 06 (research in the field of energy and transport) was

¹) See Opinions by Ms Xenogiannakopoulou.

²) OJ L390 of 30 December 2006, p. 19.

about 80%, with EUR 37 million still remaining to be spent after a transfer of + EUR 13 million. The report concludes that "*the under-implementation relates on the one hand to the closure of the 5th Research Framework Programme, for which final cost claims were lower than expected and some expenditure turned out not to be eligible; and on the other hand to the 6th Research Framework Programme, for which cost claims were lower than expected and less advance payments were made due to missing bank guarantees*".

Financial programming as updated in January 2007

Within title 02, in order to take account of the proposal of a **European Institute of Technology**, a new budget item is created with a global amount of EUR 308,7 million for the whole period 2008-2013.

Concerning the 7th framework programme of the European Community for research, technological development and demonstration activities, as well as the 7th framework programme of the European Atomic Energy Community (Euratom) for nuclear research and training activities, the recent update of the financial programming took into account that the legal acts had finally been adopted and the final figures of specific programmes and sub-programmes were consequently adjusted, although the annual amounts for the framework programmes will remain unchanged.

European Institute of Technology (EIT)

Last autumn the Commission proposed a Regulation establishing the European Institute of Technology (COM(2006)604) which is currently being considered by the European Parliament and the Council.

The proposed reference amount is EUR 308 million for a period of 6 years from 1 January 2008 (till 2013). Additionally, EUR 1,5 billion are supposed to come from other EU programmes (FP7, CIP, Structural Funds etc.) Moreover, EUR 527 million would come from Member States, private sector and EIB loans. This means that in total, the Commission estimates the spending of the EIT and the KICs ((Knowledge and Innovation Communities) at EUR 2,367 billion (see Annexe).

The problems linked to the financing concern the following issues:

- The funding was not explicitly foreseen in the MFF 2007-2013. Therefore, the financial reference amount (EUR 308 million) would reduce the margin left under heading 1a.
- According to the proposal the funding for the EIT will partly be taken from existing programmes such as FP7, the Competitiveness and innovation programme (CIP) and the Structural Funds (ERDF, ERF).

There is also concern that the EIT could overlap with already existing structure set up by FP7 such as the European Research Council. The rapporteur would also like to clarify the relationship between the existing Joint Research Centre and the EIT.

Conclusions

- 1.) Funding for FP7 is considerably lower than initially proposed by the Commission and demanded by the European Parliament. Therefore a maximum percentage of this reference amount should be allocated to operational funding reducing additional administrative expenditure such as Executive Agencies to the minimum that is absolutely necessary and justified by a real improvement of the implementation. The Commission could therefore be requested to provide clear information on the exact amount of overall administrative expenditure that will be funded from FP7 (heading 1a).
- 2.) The Committee on Budgets, in cooperation with the Committee on Industry, Research and Energy (ITRE), has to carefully monitor if the improvements introduced in the Financial Regulation are sufficient in order to ease the implementation of the current Framework Programme for Research and encourage researchers to apply for funding.
- 3.) In view of recent legislative developments such as the Commission proposal on a European Institute of Technology (EIT) it has become clear that the funding finally agreed for Research and Development under heading 1a of the current MFF seems to be insufficient bearing in mind that the margin left under this heading has been reduced considerably by the recent updates of the financial programming presented by the Commission and by new actions not foreseen in the MFF and financed under the remaining margin. This could be a topic for the mid-term review of the MFF.
- 4.) The rapporteur is of the opinion that the main aim of European research policy is to promote competitiveness, and enhance cooperation and networking between research centres and centres of excellence thus improving efficiency. Cooperation with enterprises as well as the participation of SMEs are crucial. The promotion of the European dimension of research is necessary in order to be able to compete with third countries such as the US which spend important amounts on research. The EU is behind competitors in applied research (see number of patents). EU funding should represent an added value to research already undertaken by the Member States (e.g. research areas that are so expensive that no single Member State could afford to do so alone such as ITER).
- 5.) One should not forget that Member States also finance research activities and EU funding is one (important) contribution to the overall aim of fostering research. An important part of the objective of 3% of the GNI will have to come from the Member States (public R&D expenditure in EU-25 Member States in 2003 was at 0.81% of GDP as an average, of which 0.76% from national sources and 0.05% from the EU) Therefore, the European research programmes, although the final allocation (EUR 48.081 million) remains far behind the Commission proposal (Prodi package - EUR 68.011), can only be one part of the solution but they should nevertheless play an important role in trying to achieve the Lisbon goals.

ANNEX
EUROPEAN INSTITUTE OF TECHNOLOGY
DETAILS OF RESOURCES (as set out in the financial statement of the Commission proposal)
Objectives of the proposal in terms of their financial cost and resource (scenario of 6 KICs in 2013)

Costs	2008	2009	2010	2011	2012	2013	Total
EIT governing structure	2.900	5.800	8.700	8.700	8.700	8.700	43.500
Knowledge and Innovation Communities	0.000	0.000	220.800	303.600	441.600	662.400	1,628.400
Grants for Master students and PhD candidates	0.000	0.000	5.600	20.600	45.200	73.800	145.200
Improvement of innovation/research/education capacity	0.000	0.000	100.000	150.000	150.000	150.000	550.000
Total costs	2.900	5.800	335.100	482.900	645.500	894.900	2,367.100
Resources							
Local authorities and Member States, Enterprises, EIB loans, Venture Capital, <i>(directly to KICs or directly to EIT depending on source)</i>	0.000	0.000	47.080	113.040	133.740	233.100	526,960
Community budget (programmes: FP7, CIP, LLL, Structural Funds: ERDF, ESF) <i>(directly to KICs)</i> ¹			238.020	309.860	436.760	546.800	1,531.440
Community budget (unallocated margin, subheading 1A) <i>(directly to EIT)</i>	2.900	5.800	50.000	60.000	75.000	115.000	308.700
Total resources	2.900	5.800	335.100	482.900	645.500	894.900	2,367.100

¹ Awarded in accordance with respective programme procedures.

Working document on Freedom, Security and Justice - Heading 3A

Since the beginning of the financial period 2007 - 2013, "Home affairs" have for the first time a sub-heading ("Freedom, Security and Justice") for its own, Number 3 A. Having "ring fenced" for the first time the amounts allocated to "Justice, Freedom and Security" in a specific subheading in the MFF marks the priority given to it compared to the period 2000 - 2006 and ensures increased visibility and a stable financial basis to its policies as the Commission can not easily reshuffle its budget to other policy areas.

It has to be repeated that the confusion of terminology noted in Working document 10 during the 2007 budget procedure has still not been remedied. The responsible Commissioner's, Vice-President Franco Frattini, portfolio is called "Freedom, Security and Justice"¹ whereas it's Directorate General is called "Justice, Freedom and Security"² (equals to the renamed ex-DG "Justice and Home affairs" -until August 2004).

But title 18 in the Budget is again called "Freedom, Security and Justice" (implemented by the fore-mentioned Directorate General, abbreviated "JSL")³.

II. Overview of the programmes

The operational expenditure in Heading 3a "Freedom, Security and Justice" of the MFF amounts to EUR 600 (637 in current prices) million in 2007 and EUR 690 (747 in current prices) million in 2008. The budget 2007 of DG JLS adopted by the European Parliament amounts to approximately EUR 612,2 million. It comprises 7 operational chapters. (**Table 1**):

Table 1: Operational and administrative expenditure (EUR)

¹ http://ec.europa.eu/commission_barroso/frattini/index_en.htm

² http://europa.eu/pol/justice/overview_en.htm

³ but also the abbreviation "JLS" can be found: Activity statement document "18 -JLS: Area of freedom, security and justice"

Operational Expenditure	Programmes	Budget 2007 C.A.	Budget 2007 P.A.
18 02	Solidarity — External borders, visa policy and free movement of people	238 200 000	151 200 000
18 03	Migration flows — Common immigration and asylum policies	149 030 000	135 605 000
18 04	Fundamental rights and citizenship	33 476 000	33 576 000
18 05	Security and safeguarding liberties	61 946 000	48 046 000
18 06	Justice in criminal and civil matters	58 294 000	39 594 000
18 07	Drugs prevention and information	14 851 060	12 851 060
18 08	Policy strategy and coordination	5 400 000	6 200 000
Total operational expenditure		561 197 060	427 072 060
Administrative expenditure ¹		51 021 005	51 021 005
Total		612 218 065	478 093 065

¹ of which EUR 47 607 005 are financed under Heading 5 and EUR 3 414 000 are financed under Heading 3A

Budget 2007 has seen the launch of three new framework programmes in the field of Freedom, Security and Justice: Fundamental Rights and Justice, Solidarity and Management of Migration flows and Security and Safeguarding Liberties¹.

The situation concerning the corresponding legal acts is as follows by of end of March 2007:

- "Fundamental Rights and Justice": First Reading EP on 6 September and 14 December 2006. Council Common Position only on sub-programme "Daphne III" on 12 March 2007, the other Common positions are pending.
- "Solidarity and Management of Migration Flows": First Reading EP on 14 December 2006 Council Common Positions are pending since. From which sub-programme "European Refugee Fund" can not be considered as delayed as it covers 2008 - 2013 only.
- "Security and Safeguarding Liberties": Although EP had adopted its opinions on 14 December 2006, Council adopted the final acts only on 14 February 2007.

As the majority of the corresponding legal basis are not yet adopted finally and Article 49 of the Financial regulation² provides that a basic act shall first be adopted before the appropriations entered in the budget for any action by the Communities or by the European Union may be used, these programmes can be considered as being "delayed".

Apparently, the Commission will try to remedy the situation by "backloading" (although calling it "further frontloading in 2009 and 2010") when stating on page 21 (point 3.2.3.) of

¹ Reports SEGELSTRÖM (COM(2005)0122), KUDRYCKA (COM(2005)0123), LA RUSSA (COM(2005)0124); The opinion of the Budget committee were by Neena Gill, Kathelijne Buitenweg, Louis Grech, Simon Busuttill, Gerard Deprez, Yannick Vaugrenard, Ville Itälä.

² Council regulation (EC, Euratom) No. 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities as amended by Council regulation No 1995/2006 of 13 December 2006, OJ L 390/2006 of 30 December 2006.

the APS-document¹ that the additional funds for FRONTEX and EUROJUST will be obtained by "adjusting" the amounts for those programmes whose start-up has been delayed.

III. The new programmes in detail according the new financial programming of the Commission

Meeting its obligations under the IIA, the European Commission in January 2007 has submitted an exhaustive document giving an overview of the recent development within each expenditure Heading of the MFF with the objective to ensure the consistency of the legislative process with the agreed expenditure ceilings, taking into account, for example the adoption of new legal bases or of the actual amounts agreed in the recently adopted (2007) Budget.

¹ COM(2007)0065

The new details for the legislative envelopes of the programmes in Heading 3A are now as follows¹ (**Table 2**):

HEADING 3A - FREEDOM, SECURITY AND JUSTICE	period	global envelope over period	BUDG 2007 + PADB 1	Fin. Prog. 2008	Fin. Prog. 2009	Fin. Prog. 2010	Fin. Prog. 2011	Fin. Prog. 2012	Fin. Prog. 2013
Consultation									
Integration Third-countries	(07-13)	825,0	65,0	78,0	98,0	106,0	132,0	163,0	183,0
Fundamental rights	(07-13)	96,5	10,9	12,3	13,4	14,1	14,1	15,7	16,0
Criminal justice	(07-13)	199,0	29,5	30,3	30,6	26,5	26,9	27,4	28,0
Terrorism	(07-13)	139,4	12,8	15,4	18,0	20,5	23,4	23,7	25,6
Crime	(07-13)	605,6	45,2	51,6	73,0	86,5	109,6	118,3	121,4
Co-decision									
European Refugee Fund	(05-07)	176,4	78,3	0,0	0,0	0,0	0,0	0,0	0,0
European Refugee Fund	(08-13)	628,0	0,0	82,0	98,0	98,0	110,0	110,0	130,0
European Return Fund	(08-13)	676,0	0,0	56,0	67,0	83,0	114,0	163,0	193,0
External Borders Fund	(07-13)	1.820,0	170,3	155,0	186,0	208,0	254,0	350,0	496,7
Daphne	(07-13)	116,9	14,2	14,7	16,1	17,6	18,0	17,9	18,4
Civil justice	(07-13)	109,3	14,4	14,7	14,9	15,8	16,0	16,5	17,1
Drugs prevention & information	(07-13)	21,4	3,1	3,1	3,1	3,1	3,1	3,1	3,1
HEADING 3A			443,6	513,0	618,0	679,0	821,0	1.008,5	1.232,2
Other expenditure			180,2	201,2	212,4	298,1	324,5	326,4	320,5
Total Heading 3a			623,8	714,2	830,4	977,1	1.145,5	1.334,9	1.552,7
Financial framework ceiling (in current prices)			637,0	747,0	872,0	1.025,0	1.206,0	1.406,0	1.661,0
Margin			13,2	32,8	41,6	47,9	60,5	71,1	108,3

The main change also reflected in the APS concerns the external border fund (line 18 02 06) where available appropriations have been increased by EUR 15,3 million compared to the initial financial programming.

IV. Agencies

¹ figures according to the Financial Programming document of the European Commission of January 2007

Currently, there are six agencies operating under the Title 18 Policy area (**Table 3**):

Table 3: Agencies under Heading 3A (EUR million)

	FINANCIAL PROGRAMMING								
	Location	BUDG +PADB1 2007	2008	2009	2010	2011	2012	2013	TOTAL 07 - 13
18 02 03 European Agency for the Management of Operational Cooperation at the External Borders	Warsaw	33,980	27,100	33,100	35,000	52,000	52,000	52,000	285,180
18 04 05 European Union agency for fundamental rights	Wien	14,000	15,000	17,000	20,000	20,000	22,000	22,000	130,000
18 05 02 Europol	—	0,000	0,000	0,000	82,000	83,000	84,000	85,000	334,000
18 05 05 European Police College	Bramshill	7,439	8,700	8,800	9,000	9,200	9,400	9,400	61,939
18 06 04 Eurojust	Den Haag	18,414	17,500	18,000	19,000	19,500	20,500	20,500	133,414
18 07 01 European Monitoring Centre for Drugs and Drug Addiction	Lisboa	13,000	13,200	13,400	13,600	14,000	14,400	14,400	96,000
TOTAL		86,833	81,500	90,300	178,600	197,700	202,300	203,300	1040,533

As to FRONTEX, your rapporteur considers the increase of EUR 15,3 million from 2007 compared with 2006 justified. But he would like to remind that a further additional amount of EUR 10.9 million in 2008, as announced by the Commission in the APS-document (point 3.2.3, page 21), would mean a reduction for the co-decided programme of "Solidarity and Management of Migration Flows". Moreover, this "backloading" of the co-decided programme would have the effect that the margin would be significantly reduced at the end of the programming period. Also it remains to be verified if the beneficiary is in fact asking for any additional funding at all.

The same is valid for EUROJUST, an agency which does a good job. But is not too easy to fund an agency generously with additional money and express one's hope that the establishment of a "single area of justice in criminal and civil matters will be reinforced by an

additional EUR 2,5 million for EUROJUST"¹ from 2008 to 2013 ? First its tasks are focussed on criminal offences only, not civil matters. Secondly, in the field of a single area of justice in "civil matters", there is an excellent long -run Commission initiative, supported by university teachers, stakeholder and the European Parliament to create a European code of obligations or even a full-blown European Civil Code.² Would it not give better results to support efforts of this kind, of professionals outside the institutional sphere than increasing every financial year the annual cheque for a Community body?

The rapporteur would like to ask on the Commission to clarify if the solving of problems with the management of the "new" EU agency for fundamental rights (the successor of the monitoring centre on Racism and Xenophobia³) that have been arisen in the past is on its good way.

It is to note that the appropriations for Europol (EUR 82 million from 2010 on) are subject to the creation of this body as an agency of the Union as the legal successor of the European Police Office (established by the Europol Convention). This has been proposed by the Commission⁴, but the question is currently being discussed in the Council. In this context it has to be reminded that Article 47 of the Interinstitutional agreement on budgetary discipline and sound financial management⁵ provides for an assessment of the Commission of the budgetary implications for Heading 3A during the process of creating Europol as a Union Agency.

In line with your rapporteurs efforts to achieve a budget for results, he fully endorses the Council's Budget Committee's recent conclusion⁶ that it was important to keep a tight grip on the funding of the decentralised agencies with the purpose of making economies through realistic appropriations, in line with real needs, and of avoiding over-budgeting. It has also asked on the Commission to provide together with the PDB a concise and comprehensive budgetary overview of all the decentralised agencies.

V. Pilot projects and preparatory actions

There are no pilot projects or preparatory actions under Heading 3A in 2007 Budget. The following pilot schemes and preparatory actions have been completed in 2006:

Heading	Budget line
18 03 05	European Migration Monitoring Centre

¹ APS for 2008, COM(2006)0065, point 3.2.3., page 21

² EP resolution of 23 March 2003 on European contract law and the revision of the acquis: the way forward (2005/2022(INI)), EP resolution of 2 September 2003 on the Communication from the Commission to the EP and the Council – A more coherent European contract law – An action plan (COM(2003) 68 – 2003/2093(INI)), rapporteur Klaus-Heiner Lehne;

http://www.europarl.europa.eu/comparl/juri/hearings/20061121/programme_en.pdf

³ Council regulation No 168/2007 of 15 February 2007 establishing a European Union Agency for Fundamental Rights, OJ L 53 of 22.2.2007

⁴ proposal for a Council decision of 20.12.2006, COM(2006)0817

⁵ IIA of 17 May 2006, OJ LC 139 p. 1 of 14.6.2006

⁶ Council document 6894/07 of 8 March 2007, point 12

18 03 06	Completion of Integration of nationals of non-member countries
18 03 08	Completion of Return management in the area of migration
18 04 03	Completion of research and evaluation programme on respect for fundamental rights
18 04 04	Completion of preparatory action to support civil society in the new EU Member States
18 05 01 03	Completion of exchange programme for juridical authorities
18 05 04	Completion of preparatory actions for the victims of terrorist acts
18 05 06	Completion of fight against terrorism

As to commitments, all the corresponding lines have become "pour mémoire". As to payments, a total of EUR 37,75 million still has to be paid off in 2007.

In this context it is worth to mention that your rapporteur suggested an internal study by Directorate D of DG IPOL to be drawn up dealing with assessing EU funding for migration monitoring to compare the financial resources given to the new instruments such as External Borders Fund, European Refugee Fund, European Fund for the integration of third-country nationals as well as FRONTEX Agency, with their aims and the policy objectives. Assessment should be done whether the funds and its division between different instruments and whether they can achieve the best possible results and give support to member states coping with immigration.

EU's external borders are subject to a permanent and a considerable migratory pressure.. The necessity to better control the EU's external borders is one of the top priority. Therefore EP, on the initiative of it's committee on civil Liberties, has voted a preparatory action "Migration management - Solidarity in action" (Title 18 03 12) with an amount of EUR 15 million in the 2007 Budget. The objective will be to cope with influxes but also provide dignified reception conditions for desperate the "Solidarity" Framework Programme is fully operational. EU resources were already made available in certain cases (with the "specific (urgent) actions" within the context of the ARGO programme in 2005 and 2006 for example). It will be a top priority of your rapporteur to monitor carefully the implementation of this preparatory action by the European Commission:

VI. Other remarks

1. SIS II and VIS

In 2007 Budget, EUR 20 million were foreseen for the "Schengen information system" (SIS II)¹ (line 18 02 04) and EUR 48 million for the "Visa information system (VIS)"² (line 18 02 05). SIS II consists basically of a large computer based in Strasbourg giving Member States the possibility of detecting wanted persons or objects, following the abolition of internal border controls. VIS also is a database, facilitating the exchange of data

¹ Regulations (EC) No 1986/2006 and No 1987/2006 of the European Parliament and of the Council of 20 December 2006 regarding access to the Second Generation Schengen Information System (SIS II) by the services in the Member States responsible for issuing vehicle registration certificates and on the establishment, operation and use of the second generation Schengen Information System (SIS II)

² COM(2004)835 report LUDFORD

concerning the common visa policy and consular co-operation between Member States on applications in order to prevent threats to internal security of any of the Member States, to prevent the bypassing of the criteria for application and to facilitate the fight against fraud and to assist in the identification and return of illegal immigrants.

Since there were no details available concerning the contract between the Commission and the Member State which will be responsible for system management, EUR 5 million on the SIS II line had been entered in the reserve.

According to the conditions, EUR 1 m will be released from the reserve when the legal basis authorising SIS II and VIS interoperability has been adopted, and EUR 4 m will be released when Parliament has been notified of the details of the contract and the real costs for the Member State responsible for system management.

Concerning VIS, even EUR 16 million have been entered into the reserve, given the lack of detail concerning VIS management arrangements. According to the conditions they will be released, on a case-by-case basis, once the appropriate legal bases have been adopted and Parliament has been duly notified of the VIS management arrangements.

The rapporteur notes that, apparently, the Member States are not yet ready to implement the communitarisation of these policies.

2. Civil protection

Your rapporteur wishes to explore the details of an apparently new initiative of the Commission, mentioned in the Annual Policy strategy¹, consisting in strengthening the EU Civil Protection Mechanism and developing an integrated strategy on disaster prevention occurring. As Civil Protection might have a "Home affairs" dimension, it must be mentioned in the framework of this document.

VII. Conclusions

The rapporteur considers that the possible follow up in the Budget 2008 could be:

1. The budgetary authority is aware of the delay of the new generation of framework programmes, and the risks such delay might cause for the implementation. This must be carefully monitored in the course of the budgetary procedure 2008.
2. "Back-loading" certain programmes may cause problems, as stated in paragraph 18 and 22 of the European Parliament's resolution on the Commission's annual policy strategy for the 2008 budget procedure, mentioning Parliament's *"concern about the proposed back-loading of certain programmes in the 2008 APS and the problems that this may be storing up for future years of the MFF"*.
3. A balanced ratio between agencies and programmes should be looked for to avoid jeopardising the operational programmes. Any possible additional funding that could be provided to the agencies has to be agreed within the framework of the global annual

¹ APS for 2008, COM(2006)0065, point 2.4., page 12

budget. The attention is drawn to the fact that the more is spent on agencies, the less is left for the legislative programmes, pilot projects and preparatory actions.

4. As the only preparatory action left now is "Migration management - Solidarity in action", it should be accompanied by the further prospective of an in-House study, in order to evaluate as early as possible its contribution for a budget for results.
5. Concerning SIS II and VIS, should the same problems identified last years persist, the Commission should inform the Budgetary Authority about the possible developments expected in 2007. In the course of the annual budgetary procedure EP will evaluate which actions have to be taken

Working documents on pilot projects and preparatory actions

Introduction

1. The working document is structured as follows. Part I sets out the legal framework in line with the modifications to the legal framework for pilot projects (PPs) and preparatory actions (PAs) in the Inter-Institutional Agreement (IIA) of 17 May 2006. Part II deals with PPs and PAs in the 2007 budget procedure. Part III looks at the scope for and ideas regarding PPs and PAs for the forthcoming 2008 budget procedure.

I - The legal framework for pilot projects and preparatory actions

2. The legal framework for pilot projects and preparatory actions was changed significantly in the IIA of 17 May 2006. This section sets out the main changes. Issues relating to the provision of information by the Budgetary Authority about the creation of new PPs and PAs are covered in section III of this working document.
3. PPs and PAs are an important tool for the Parliament to set out its political priorities and for introducing new initiatives outside existing legislative programmes. For PPs and PAs, the relevant budgetary decision typically precedes and may later give rise to the associated legislative decision, reversing the usual order. Article 49 of the Financial Regulation¹ sets out the exceptions to the general budgetary principle that a basic act must be adopted before the budget appropriations entered for any Community action may be used. The sections of article 49 concerning this issue are point 6, letters (a) and (b) respectively.
4. The Financial Regulation defines a **pilot project** as a scheme "*of an experimental nature designed to test the feasibility of an action and its usefulness*". The Financial Regulation further states that "*commitment appropriations may be entered in the budget for only two successive financial years*".
5. **Preparatory actions** are defined by the Financial Regulation as actions "*designed to prepare proposals with a view to the adoption of future actions ... The relevant commitment appropriations may be entered in the budget for only three successive years at most. The legislative procedure must be completed before the end of the third financial year*".
6. The 2008 budget is being prepared in the context of the IIA of 17 May 2006. In Annex II, section D of the 2006 IIA "*the institutions agree to limit the total amount of appropriations for pilot schemes to € 40 million in any budget year. They also agree to limit to € 50 million the total amount of appropriations for new preparatory actions in any budget year, and to € 100 million the total amount of appropriations actually committed for preparatory actions*".

¹ Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 as amended by Council Regulation No 1995/2006 of 13 December 2006.

7. Your rapporteurs also wish to stress that the funds available for financing PPs and PAs are affected by the margins available under the heading structure of the MFF and notes in this regard that paragraph 20 of Parliament's resolution on the Annual Policy Strategy (APS) of the Commission adopted in plenary on 24 April 2007 stated that: *"... as regards pilot projects and preparatory actions for the 2008 budget procedure ... expresses its concern that, in some headings and sub-headings of the budget, there may not be sufficient margins available for major new pilot projects and preparatory actions"*.
8. Before a PP or PA agreed in an annual budget procedure can be implemented, it must go through certain procedures foreseen by the Financial Regulation. Public procurement and grants provisions apply to PPs and PAs. Article 49 of the Financial Regulation also requires the Commission to present, with the PDB, *"a report to the budgetary authority ... which shall cover an assessment of the results and the follow-up envisaged"*.
9. The Commission recently produced its first interim report on the implementation of pilot projects and preparatory actions 2007. This document (page 6) provides the following description of the expenditure cycle of a PP or PA:

"The implementation of a Pilot Project or a Preparatory Action has to go through a certain number of steps, which are foreseen by the Financial Regulation. The procedures differ, depending on whether they concern procurements or grants. However, in both cases, before arriving at the final financing decision, the Commission has to prepare the way for the best use of the action or project, and the related budgetary appropriations.

First the specific objectives and ways of implementing the proposed action must be analysed and, on this basis, attributed to the responsible Directorate General. It may take several weeks before the final attribution is decided, especially when the action has links to several policy areas. Then, as foreseen by the Financial Regulation, the authorising officer and the manager responsible have to elaborate a sufficiently detailed framework, in respect of which the financing decision is finally taken. Only when all these preparatory phases are completed, can the financial implementation start.

The indicative deadlines can be summarised as follows:

- *In the case of procurement, the preparation and the launching of the prior information notice can take from a minimum of 32 days to a maximum of 63 days.*
- *The tendering phase can take from a minimum of 85 days to a maximum of 195 days.*
- *The committing/ contracting phase can take between a minimum of 55 days to a maximum of 203 days.*

In the case of grants there are no compulsory deadlines to respect, except for the Annual Working Programme (AWP), which has to be adopted by 31 March of the year concerned. As soon as the AWP is adopted, the preparation of the calls for proposals takes 30 days on average, while answers are usually expected to arrive after a period of two months from the publication of the call for proposals. The length of time need for the evaluation of proposals depends on the number of responses, and it can take from a few days to more than 60 days. Once the grant agreements are signed, which

takes a maximum of 30 days, the payment will be made as soon as the Commission receives the necessary information from the contractor, which must be carefully analysed. The process also requires the respect of the procedures of sound and efficient financial management.

The Commission would also like to point out the success of a Pilot Project or a Preparatory Action is to be measured on the sustainability of the results produced, and much less on the speediness of the commitments."

10. The rapporteurs 2007-2008 wish to remind the Commission that in the last revision of the Financial Regulation and its Implementing rules, EP aimed at simplifying the procedures to facilitate the access of the European citizens to E.U. funding. The Commission should clarify how it intends to put the new rules in practice for PP and AP.
11. The rapporteurs note that according to maximum deadlines foreseen by the rules, it might take 461 days (ie more than a financial year) before a PP-PA can be implemented. The Commission should indicate what has been the average duration of the preparatory phases over the past years.

II - PPs and PAs from the 2007 budget

12. The 2007 budget includes 30 PPs and 28 PAs. It is not possible to give comments on all of the projects in this working document. The rapporteur would therefore like to highlight the annexed overview tables provided by the Commission and by Parliament's secretariat and to note that the Commission's First Interim Report on the implementation of pilot projects and preparatory actions provides detailed information on each ongoing project.
13. Members will find in annex the table on PP/ PAs provided by the Commission in its first interim report
14. It should be noted that for most PP/ PAs, the preparations leading up to a grant payment, following a call for proposals, will be at least 6 months or so. In the cases of procurement (calls-for-tender) the procedures will be even longer and this may delay payments in the first year. The rapporteur intends, however, to scrutinise the implementation figures to ensure that the Commission continues to do its utmost as regards the implementation of projects adopted by the Budgetary Authority.
15. In preparing for further work on the 2008 budget the rapporteur is fully aware of the fact that the availability of funds for new PPs and PAs will be affected by the extent to which requests are made for existing PPs and PAs to receive continuing funding.
16. The rapporteur welcomes the constructive engagement of the Commission on its first interim report on the implementation of Pilot Projects and Preparatory Actions in 2007. He notes that the Commission is taking them seriously and is ready to ensure a close follow-up.

Nevertheless, following the information provided in the report (see above pag. 9), notably on the complex and lengthy procedures, the rapporteur is concerned about the concrete starting up of these PPs and APs.

17. The rapporteur asks the Commission to give up-dated information on the state of play of particularly:
- The EU assuming its Role in a Globalised World – IPR Help Services for EU SMEs in Beijing (02 02 09);
 - Pilot Information Networks (PINs) (16 03 06);
 - Business and Scientific Exchange with India (19 10 01 03) and
 - Business and Scientific Exchange with China (19 10 01 04)
 - Cooperation between European institutes of Technology (15 02 29)
- The rapporteurs have taken note of the Commission's initiative to create a European Institute of Technology (COM(2006)0604). They would like to raise the following question: how the Commission intends to ensure the complementarity of the PP, concerning the network of EITs, and the legal basis establishing the European Institute of Technology?
- Transatlantic measures for handling global challenges (19 05 03)
- The rapporteur asks for more information about the follow-up of the EU-US annual summit held in Washington on 30 April. How the Commission intends to incorporate the conclusions into the pilot project?

III - The 2008 budget procedure

18. *With regard to the agreement of new PPs and PAs in the annual budget procedure, Section D of annex II of the 2006 IIA includes a new element relative to the previous IIA. It states that "in order for the Commission to be able to assess in due time the implementability of amendments envisaged by the budgetary authority which create new preparatory actions/ pilot projects or prolong existing ones, both arms of the budgetary authority will inform the Commission by mid-June of their intentions in this regard, so that a first discussion may already take place at the conciliation meeting of the Council's first reading."*

Following the presentation of the PDB last 2 May, the rapporteur will evaluate whether the margins left under the different headings will allow EP(s) priorities to be financed. The rapporteur wishes to recall that over the past PP and PAs initiated by the Parliament have become successful community programmes (Life, Refugee Fund, etc).

19. Whilst fully aware of the text of the IIA, the rapporteur notes that requests for PPs and PAs from the side of the European Parliament traditionally take the form of budgetary amendments. According to Parliament's internal procedures in advance of its first reading in October, the deadline for tabling such amendments in first reading falls in September. Although procedures constitute a practical constraint as regards the degree of specificity with which Parliament is able to inform the Commission by mid-June of its intentions as regards PPs and PAs, the Parliament will endeavour to anticipate the information of the Commission on its priorities for 2008 as much as possible.

20. The remainder of this working document therefore sets out some ideas as regards the areas in which Parliament may come forward with proposals for PPs and PAs during the 2008 budget procedure. These ideas are intended to stimulate discussion on forthcoming priorities in light of the wording of Annex II (D) of the IIA and the first reading conciliation that is foreseen for 13 July 2007.
21. The themes set out below are based upon the rapporteur's earlier work in the preparation of his working document 1 on a budget for results, which received very broad support in the Committee on Budgets, and which provided a basis for the preparation of this resolution on the Commission's APS.

Areas in which new PPs and PAs might be suggested

22. The rapporteur would strongly welcome input from and discussion with his colleagues in the Committee on Budgets and in Parliament's specialised committees in the coming weeks and months with a view to preparing a set of proposals for PPs and PAs in the 2008 budget that is forward-looking and in line with the rapporteur's philosophy of a budget for results.
23. In line with his working document 1 on a budget for results, Parliament's resolution of 24 April 2007 on the Commission's Annual Policy Strategy 2008, and the studies that are being conducted on behalf of the Committee on Budgets during 2007, the rapporteur would suggest the following indicative and preliminary list of areas in which Parliament might propose pilot projects for the 2008 budget:
 - Boosting competitiveness and life-long learning
 - Enhancing Europe's contribution to international cultural understanding
 - Boosting Europe's global competitiveness
 - Funding for illegal migration monitoring
 - Flagship projects toward energy efficiency and dealing with climate change
 - Boosting the multi-functionality of European agriculture and enhancing the sustainability of rural livelihoods
 - Improving communication through local links
 - Enhancing and developing multi-lingualism

Annex - summary tables on PPs and PAs provided by the Commission

Note: These tables are taken from the Commission's first interim report on the implementation of pilot projects and preparatory actions. Two points should be noted as regards the Commission's tables:

(i) Budget line 02 02 09 "The EU assuming its role in a globalised world" is a PA and not as a PP as in the below tables.

(ii) Budget line 05 08 03 "Restructuring of systems for agricultural surveys" has been omitted from the PA table .

Summary Table on Pilot projects

ABB Nomenclature	DG responsible	2005	2006	2007	Heading	Budget 2005		Budget 2006		Budget 2007	
						C.A.	P.A.	C.A.	P.A.	C.A.	P.A.
Heading 1a											
02 02 03 01	ENTR	PP1	PP2		Consolidation of internal market – pilot project for cooperation and cluster-building among small and medium-sized enterprises (SMEs)	6.00	5.00	3.00	4.50	p.m.	2.00
02 02 03 03	ENTR	PP1	PP2		Transfer of expertise through mentoring in SMEs	2.00	2.00	3.00	3.00	p.m.	2.00
02 02 03 04	ENTR			PP1	Erasmus for Young Entrepreneurs					3.00	3.00
02 02 05 01	ELARG				Enlargement programme for SMEs			p.m.	1.60	p.m.	1.00
02 02 05 05	ENTR			PP1	Measures to promote cooperation and partnerships between micro, small and medium-sized enterprises.					2.00	2.00
02 02 06	RTD				Regions of knowledge			p.m.	0.60	p.m.	0.55
02 02 08	ENTR		PP1	PP2	European Destinations of Excellence			1.00	0.50	1.00	0.85
02 02 09	ENTR			PP1	The European Union assuming its role in a globalised world					5.00	3.00
02 02 10	ENTR			PP1	Technological Transfer					2.00	2.00
04 04 05	EMPL	PP2			Mainstreaming of disability actions	3.00	3.00	p.m.	1.50	p.m.	2.00
06 04 07	TREN			PP1	Energy security bio-fuels					5.00	2.00
06 07 02	TREN		PP1	PP2	Security along the trans-European road network			5.50	5.50	2.00	3.60
15 02 02 06	EAC		PP1	PP2	Individual mobility of upper secondary pupils			2.50	2.00	p.m.	0.50
15 02 23	EAC	PP1	PP2		Erasmus-style programme for apprentices	2.00	2.00	2.00	1.70	p.m.	1.80
15 02 28	EAC			PP1	European Neighbourhood Policy scholarships at the College of Europe					0.80	0.80

ABB Nomenclature	DG responsible	2005	2006	2007	Heading	Budget 2005		Budget 2006		Budget 2007	
						C.A.	P.A.	C.A.	P.A.	C.A.	P.A.
15 02 29	EAC			PP1	Cooperation between European institutes of technology					5.00	2.50
Heading2											
05 01 04 07	AGRI		PP1	PP2	Security fund in the fruit and vegetables sector			0.50	0.50		
05 01 04 08	AGRI			PP1	Sustainable agriculture and soil conservation through simplified cultivation techniques					2.00	2.00
07 03 11	ENV			PP1	Forest protection and conservation					3.00	1.50
17 01 04 04	SANCO	PP2			Risk financing model for livestock epidemics		0.50	p.m.	p.m.	p.m.	p.m.
Heading 3a											
18 05 06	JLS	PP1	PP2		Completion of fight against terrorism	7.00	4.00	9.00	7.00	p.m.	6.00
Heading 3b											
07 04 02	ENV		PP1	PP2	Cross Border Cooperation in fight against natural disasters			6.50	6.50	p.m.	3.90
15 06 01	EAC		PP1		Pilot project in favour of citizenship			0.50	0.50	p.m.	p.m.
15 06 07	EAC			PP1	European Political Foundations					1.00	1.00
16 03 05	COMM			PP1	Euroglobe					1.50	1.50
16 03 06	COMM			PP1	Pilot information networks (PINs)					5.00	3.00
Heading 4											
19 05 03	RELEX			PP1	Transatlantic methods for handling global challenges					2.50	1.50
21 04 04	RELEX			PP1	European emergency judicial assistance					0.20	0.10
21 04 06	AIDCO			PP1	Water management in developing countries					3.00	0.00
Heading 5											
26 01 08	tbc			PP1	Pilot Project: minimizing administrative burdens					2.00	2.00
TOTAL Pilot Projects										40.00	
Annual ceiling Pilot Projects										46.00	52.10
Margin left										-6.00	

Summary Table on Preparatory actions

ABB Nomenclature	DG responsible	2005	2006	2007	Heading	Budget 2005		Budget 2006		Budget 2007	
						C.A.	P.A.	C.A.	P.A.	C.A.	P.A.
Heading 1a											
02 02 03 02	ENTR	AP2	AP3		Support for SMEs in the new financial environment	8.00	8.00	7.00	7.00	p.m.	7.00
02 04 02	ENTR	AP2	AP3		Enhancement of European security research	15.00	8.00	15.00	19.00	p.m.	6.00
04 03 06	EMPL	PP2	AP1	AP2	ENEA preparatory action on active ageing and mobility of elder people	(p.m.)	(3.00)	1.50	0.75	3.00	1.50
06 04 03 01	TREN	AP2	AP3		Security of conventional energy supplies	p.m.	p.m.	0.50	0.90	p.m.	0.70
09 03 03	INFSO		AP1	AP2	Creation of an Internet-based system for better legislation and for public participation			2.00	2.00	5.00	3.8
09 06 04	INFSO				Initiative i2i audiovisual	p.m.	2.20	p.m.	1.00	-	p.m.
Heading 2											
05 04 03 01	AGRI	AP2	AP3		Forestry (outside the EAGF and the EAFRD)	0.50	16.00	0.30	3.10	p.m.	0.38
07 03 10	ENV		AP1	AP2	NATURA 2000 preparatory action			2.00	2.00	1.00	1.60
Heading 3a											
18 03 05	JLS	AP3			European Migration Monitoring Centre	3.00	3.80	p.m.	1.80	p.m. 3.00	2.00 1.00
18 03 06	JLS	AP2	AP3		Integration of nationals of non-members countries	5.00	6.00	5.00	5.75	p.m.	6.45
18 03 08	JLS	AP1	AP2	AP3	Financial instrument for return management in the area of migration	15.00	8.00	15.00	10.00	p.m.	12.50
18 03 12	JLS			AP1	Migration management – Solidarity in Action					15.00	15.00
18 04 03	JLS	AP2	AP3		Research and evaluation programme on respect for fundamental rights	1.00	1.40	0.50	1.00	p.m.	0.80
18 04 04	JLS	AP2	AP3		Support of Civil society in the new Member States	2.00	2.00	1.00	1.00	p.m.	2.80
18 05 01 03	JLS	PP2	AP1		Exchange programme for judicial authorities	(3.00)	2.50	3.00	2.80	p.m.	1.00
18 05 04	JLS	PP2	AP1		Victims of terrorist acts	(2.00)	1.00	2.00	1.20	p.m.	1.20
Heading 3b											
17 03 04	SANCO		AP1	AP2	Public Health			2.00	1.04	p.m.	0.96
22 02 05 05	ELARG	AP2	AP3		Impact of enlargement in EU border regions	4.00	16.98	p.m.	4.00	p.m.	3.00

ABB Nomenclature	DG responsible	2005	2006	2007	Heading	Budget 2005		Budget 2006		Budget 2007	
						C.A.	P.A.	C.A.	P.A.	C.A.	P.A.
22 02 05 06	ELARG	PP2	AP1		De-mining activities in Cyprus	p.m.	p.m.	1.00	1.00	p.m.	0.40
Heading 4											
19 04 04	AIDCO	PP2	AP1	AP2	Conflict prevention network	p.m.	0.90	1.50	1.25	1.50	1.25
21 02 07 04 (old line)	AIDCO	AP1	AP2		Aid for poverty-related diseases in developing countries, other than HIV/AIDS, malaria and tuberculosis	10.00	8.00	10.00	14.10		
19 06 01 03	AIDCO	AP2			Voluntary technical assistance	p.m.	0.50	p.m.	0.20	p.m.	0.20
19 06 02 02	AIDCO	PP2	AP1	AP2	Preparatory action to reduce NBC weapons and small arms	(3.00)	(3.00)	3.00	2.50	p.m.	2.00
19 10 01 03	RELEX- AIDCO			AP1	Business and scientific exchange with India					7.00	5.00
19 10 01 04	RELEX- AIDCO			AP1	Business and scientific exchange with China					7.00	5.00
21 04 05	ENVI			AP1	Global Energy Efficiency and Renewable Energy Fund (GEEREF)					5.00	5.00
TOTAL Preparatory Actions										47.5	86.54
Annual ceiling Preparatory Actions										100.0	
Margin left										52.5	

Working document on Heading 4, the EU as a global partner

General outlook

1. Heading 4 was adopted at EUR 6, 8 billion in the 2007 budget, which, not surprisingly, meant taking external spending right to the limit of what the financial framework allowed.
2. The PDB 2008 proposes EUR 6, 9 billion (+1, 5 %) in commitments and EUR 7, 9 billion in payments (+7, 7%). This leaves a quite substantial margin but, as discussed below, does not correspond to the real situation. The Commission is already aware of substantial elements that are not so far budgeted.

Table 1: overall comparison of figures 2007 - 2008.

Heading 4: external actions Budget 2007	EUR	%
Commitment appropriations (CA)		
Development cooperation and economic cooperation instrument (DCI)	2 208 696 784	32,4%
European neighbourhood and partnership instrument (ENPI)	1 419 955 400	20,8%
Instrument for pre-accession (IPA)	1 263 130 000	18,5%
Humanitarian aid	732 160 000	10,7%
Instrument for stability (IfS)	212 895 738	3,7%
Other actions and programmes (including decentralised agencies)	390 162 000	5,7%
EC guarantees for lending operations	200 000 000	2,9%
Common Foreign and Security Policy (CFSP)	159 200 000	2,3%
Democracy and Human Rights Instrument (EIDHR)	142 091 078	2,1%
Macroeconomic assistance	58 201 000	1,2%
Industrialised Countries Instrument (ICI)	24 700 000	0,4%
Instrument for Nuclear safety Cooperation (INSC)	1 268 000	0,02%
Budget 2007: Total	6 812 460 000	100%
Financial ceiling 2008	7 002 000 000	
PDB 2008	6 911 400 000	
Margin	329 800 000	

* EUR 239 million budgeted for the emergency aid reserve is included in the overall amounts but does not count when calculating the margin (i.e. it is financed outside the ceiling).

3. In the APS communication the Commission had worked with a predicted margin of EUR 334 million, after having added about EUR 23 million to new priorities compared to the January financial programming (climate change, Global Energy Fund, Prince and Development awareness). The margin shown in the PDB is EUR 4 million less so there has been some additional allocation made that the Commission should clarify.
4. The PDB margin shown is quite substantial at nearly 5% of total possible expenditure under the ceiling. The rapporteur has already drawn attention to the fact that this is due to an exceptional situation, as the full amount of EUR 200 million foreseen for the guarantee fund will not be needed in 2008 and has been added to the margin. The

rapporteur therefore recommends a certain amount of caution since this money (compulsory expenditure) will be needed again in 2009.

5. The rapporteur considers the situation even more worrying when it seems clear that these PDB amounts do not actually cover all that which the Commission wants to request. It seems clear that substantial additional amounts could be asked by the Commission for **both Kosovo and Palestine**. This would be new and un-programmed expenditure that would come on top of the existing budget appropriations for these areas. The rapporteur wonders if a similar situation could exist for other areas as well and expects the commission to be as clear as possible.
6. In any case, the rapporteur draws attention to the fact that such "new needs", which are not included in the PDB, could possibly amount to as much as EUR 300 million or thereabouts. If the Commission should come forward with such requests, it would mean that the effective margin could be virtually zero. Obviously, if so financed, there would then be nothing left for any other priorities!
7. The rapporteur draws attention to the fact that for CFSP an overall amount of at least EUR 1 740 million has been agreed for the period 2007-2013 as part of the IIA. On average, this amounts to about EUR 250 million per year. The funding for 2007 was adopted at EUR 159, 2 million and, for 2008, the Commission had in its programming an amount of EUR 200 million. The PDB should show an amount just over the 200m mark.

The character of heading 4

8. In the era of multi-annual frameworks and co-decision, it is true to say that the resources available are more or less fixed and, barring exceptional events (such as Iraq or the tsunami), the magnitude and general thrust of funding will normally be very similar to the previous year. This is not necessarily a bad thing as the Budgets Committee normally defends the "traditional priorities" and, of course, lives by the MFF, but it does highlight the structural difficulty of making any really significant adjustments. In this sense, there is something to be said for the view that heading 4 is probably still under-funded, something that could not be fully rectified during the MFF negotiations.
9. It is of course possible to make quite significant changes within the heading, but even this pre-supposes broad political support and, crucially, impetus and agreement from various specialised committees. It would be unrealistic to foresee any major changes in heading 4 for 2008 in what will only be the second year of the new MFF and the new generation of programmes.
10. The rapporteur notes that, in what has been the *enfant terrible* of financial headings over the period 2000-2006, the conflicting demands of, on the one hand, facing "new challenges" and crises and, on the other hand, respecting the traditional policies toward EU neighbours and partners further away, will, again, simply have to be looked at side-by-side. This is not a static equation and, luckily, it should have

multiple solutions. The only problem is that some of these solutions might be painful, especially given the traditional attitude of the Council.

11. It should be noted that the budget structure of heading 4 is now largely "instruments-based" reflecting the agreements reached during last year for the legal bases (regulations) which, in several cases, were co-decided. As can be seen in the table above, this does not really facilitate the immediate understanding of heading 4 as many people tend to be involved or interested in "regions and countries" rather than "instruments".
12. From a point of view of transparency and budget scrutiny, it was therefore decided to maintain some geographical splits at the level of budget chapters/lines in B2007. For example, there are different chapters/lines for Asia and Latin America, although most actions will be financed by the same legal Instrument. In addition to the main political scrutiny of the PDB, the rapporteur may also look into the budget structure of the heading and propose some adjustments.

The character of the Instruments

13. Members will recall that an extended legislative battle took place in order to settle the new Instruments for external actions. Essentially, this centred on the basic character of the legislation, i.e. should the legal instruments have the character of general frameworks and give a very large degree of implementing freedom to the Commission? Or, should they have a higher degree of policy content co-decided by the Parliament.
14. In the end, it is fair to say that a European compromise was reached with substantial policy content included but, also, with important aspects left to the implementing phase. The need for a certain degree of flexibility ("it is not possible to change the Regulation every time an adjustment is needed") came to be handled through renewed emphasis on concepts such as multi-annual "Strategy Papers" and, at the next lower level, "Annual Action Programmes".
15. Basically, such important "Strategy Papers" and other programming documents of a mixed policy/political-implementation nature fall under the agreement on Democratic Scrutiny, which was negotiated with the adoption of the new IIA on budgetary discipline and sound financial management 2007-2013 and is annexed to this IIA in the form of a Declaration. As the Budgets Committee played a key role, the rapporteur is keen to follow up on the Commission's commitments under this agreement. It could be interesting, in particular, to see how the Commission takes Parliament's comments on the strategy papers into account. Ultimately, it cannot be excluded that the budgetary procedure could be used to strengthen Parliament's position.
16. As already adopted in the APS resolution, the rapporteur considers that the work of the AFET and DEVE Working-Groups set up to examine these Commission papers and to monitor implementation is very important. Indeed, the Budgets Committee has

for many years called for an increased role of the specialised committees to monitor implementation. He is keen to work with the specialised committees in this respect.

Some budget aspects of the Instruments

17. First of all, with the legislative agreements on heading 4 only being reached recently and with the programming process and calls-for-tenders currently under way, it is unlikely that 2007 implementation will be of much use for the assessment of 2008, at least as far as payments are concerned. For most programmes, the Commission will hopefully reach a satisfactory level of commitment implementation but even this would have to be verified later in the year.
18. In any case, most instruments under heading 4 have financial reference amounts, some of them co-decided as previously stated. The main co-decisions are the following:
 - Development Cooperation Instrument (DCI)
 - European Neighbourhood and Partnership Instrument (ENPI)
 - European Instrument for Democracy and Human Rights (EIDHR)
 - Instrument for Stability (ifS)

The pre-Accession Instrument (IPA) was only simple consultation but has a reference amount agreed by the Council (not binding like the co-decisions).

19. In general, the rapporteur would like to have a discussion on how to treat the co-decided envelopes. He is convinced that, as usual, many amendments will be received asking for higher annual amounts and COBU should not just have a random approach to these cases.
20. The rapporteur notes that the DCI and ENPI, both co-decided by the Parliament, were endowed with an annual amount in 2007 that would indicate a higher total by 2013 than the legislated reference amounts foresee. In other words, these programmes were somewhat "front-loaded" in the last procedure. The rapporteur is not sure that such an approach should be maintained.
21. The rapporteur notes that there could be several ways to deal with this "problem" and would like to hear the views of the political groups:
 - a) leave the situation for now and, in future years, make reference to the legislative flexibility of +/- 5 % negotiated and included in the IIA? Given the situation of the ceilings, this may of course imply that if one programme "goes up", another one must "go down".
 - b) leave the situation for now while hoping that it would be possible to "break" the reference amounts in 2012/2013 or, failing this, make a big reduction in the last year of the MFF?
 - c) leave the situation for now and aim to do something about it in connection with the

2008/2009 review?

d) make some adjustment or, at least, limit any asked increases to these programmes, to bring the annual amount into "conformity" with the average allowed by the overall reference amount?

22. Also, the rapporteur notes that - whether co-decided or not - some aspects of heading 4 traditionally (and unfortunately) have sometimes had to rely on emergency solutions and improvisation. This is relevant for humanitarian aid but, increasingly, also for other instruments that might include the co-decided DCI and/or ENPI, as the case of Palestine has proven.
23. For the sake of argument, in the case that there should now exist unforeseen (not programmed) needs for 2008 and/or coming years, say an extra EUR 100 million to be implemented under the ENPI or DCI for a new crisis somewhere, the rapporteur would like to ask the Commission if this would always be counted against the co-decided reference amount (meaning a re-programming and taking space away from previously programmed actions?) or if it could somehow be implemented over and above the reference amount? Would the means of financing make any difference, i.e. if financed within the margin or through additional means such as the flexibility instrument?

Conclusions

24. The 2008 PDB margin of EUR 330 million is entirely misleading as an indicator of the real situation in this heading and is the result of some areas/needs not being budgeted yet in combination with the coincidental availability of funds originally foreseen for the guarantee fund.
25. Many amounts are locked into co-decided envelopes or, such as for CFSP, other agreements. Some strategy should be found how to deal with amendments to the annual amounts in these areas.
26. The progress on democratic scrutiny (declaration negotiated in the IIA last year) should be followed in close cooperation with AFET and DEVE.
27. Given the late adoption of the new generation of external Instruments, it may be unlikely that 2007 implementation will be of much guidance for assessing 2008 needs.

Working document on the information and communication Policy. Budgetary aspects

The general objective pursued by the institutions is to address an accurate information policy to European citizens to raise their awareness of EU activities, structures and decision-making processes.

To that end, the institutions have elaborated a number of strategies run at centralised and decentralised levels, in line with their respective competences. The centralised actions are initiated by the European Institutions, addressed to Brussels' public and/or to the Member States. At a decentralised level, the information policy is mainly initiated by the Houses of Europe located in the capital cities of the Member States, including the regional offices.

In the first part, information will be provided on the budgetary means concerning the funding for the communication policy at centralised level. The information concerning the cooperation between the Institutions and the decentralised aspects will be provided in the second part.

Background

The objective of the communication and information policy area is informing about European policy and ensuring better connection with citizens.

For overview, in budgetary terms, during the last five years budget appropriations for communication policy have increased by 36.55% against an increase of the general budget by 13.65% for the same period.

At the same time, the purpose of the actions has been modified to match the needs expressed by civil society. In particular the rejection of the Treaty for a Constitution by the French and the Dutch people had a major impact on the strategy pursued by the Commission in the field of communication.

The publication by the Commission of two communications on an "Action plan to improve communicating in Europe"¹ and "The Commission's contribution to the period of reflection and beyond: Plan-D for Democracy, Dialogue and Debate"² aimed at making citizens more aware of EU policies and their impact on them and the submission of a White Paper on a European communication policy³ with the aim of bringing the Union closer to its citizens. These represent the three pillars of the new Commission's communication policy, initiated in 2005.

At the same time, the interest of the European Parliament in the information policy has also considerably increased. Indeed in the first reading's resolution on the 2006 budget, the Parliament has adopted a paragraph which reaffirms its concerns by considering *that the amounts envisaged for the EU Information Policy are inadequate and has decided to increase*

¹ SEC(2005)0985 of 20.07.2005

² COM(2005)0494 of 13.10.2005

³ COM(2006)0035 of 01.02.2006

them; emphasises the urgent need for the Commission to bring forward its White Paper on Information Policy"¹.

Following the Parliament's requests the Commission adopted in February 2006 a White Paper on a European Communication Policy². The Parliament welcomed *"the Commission's intentions to make communication policy a policy in its own right"*³.

With a view to assess the value for money of the Commission's programmes, the Committee on Budgets has requested two studies "toward communication" and "Informing European citizens", in the context of the 2007 budgetary procedure.

The study "Toward communication", published in September 2006, notes the improvements made following the launch of the Action Plan on communication and the Plan-D but recommends better coordination among the different actors in particular in the external offices where the Parliament and the Commission target the same public. This coordination should be facilitated thanks to the fact that with the exception of the Edinburgh and Athens offices, the two institutions share the buildings in the so called "Houses of Europe". This point has also been raised in several budgetary resolutions adopted by the Parliament. Another aspect mentioned by the study and expressed in the resolution on the White Paper which might be of interest, is the recommendation that the work done by the external offices "should be more political and less bureaucratic".

In view of a better understanding of the issues surrounding this policy area and of future developments, the European Parliament's Committee on Budgets (COBU) organised, in the context of the 2008 Budget procedure, a hearing on information policy: *"The efficiency and effectiveness of the EU information policy from the professional's perspective"* on 8 of May 2007.

The objective of the hearing was to listen to the approach of professionals in communication on the information policy conducted by the two main institutions. The hearing gave the opportunity for an in-depth discussion between professionals and the representatives of the Institutions on the marketing and/or "institutional" points of view and on how to use the means allocated to these policies by the EU budget. The participants stressed that improvements in this matter are still necessary, mainly by ensuring more visibility and transparency of actions, better coordination at a centralised (EU) level, development of the "think local, act local" approach at a decentralised level, ensuring a better financial management and improving the instruments.

Legal context

The Committee on Budgets has always defended the idea that information policy should be lead by Institutions and considered that it falls under their autonomy. In its view, a legal basis could create rigidity for each Institution. Therefore, it has strongly opposed every attempt of setting up a legal basis⁴, which would impose the rigidity of both co-decision and comitology

¹ P6_TA(2005)0409 adopted on 27.10.05, see the Dossier, point 1

² COM(2006)35 final, adopted on 01.02.2006

³ Resolution on the White Paper adopted on 16.11.06; P6_TA(2006)0500

⁴ Opinion of the Committee on Budgets for the Committee on Culture, Youth, Education, the Media and Sport

procedures on the legal basis and the individual actions respectively, including the multiannual programme also.

To that end, the European Parliament recalled, in its Resolution of 24 April 2007 on the Commission's annual policy strategy for the 2008 budget procedure that "*all Institutions have the right to implement communication policy as part of their institutional autonomy*", as established in article 49 of the Financial regulation and encouraged the Commission and the other Institutions to continue to defend their own autonomy in the matter.

Overview of actions

The actions run by the Commission

In the Commission's budget, communication policy is mainly supported by title 16. It reflects the decisions and the proposals made in the last three years by the Commission with an increased number of actions directly managed by external delegations, and actions conducted by the headquarters more focused on media and general information. In order to do this, an important number of tools have been developed over the last two years to improve audio communication, video and writing.

Since 2005, the budget allocated for communication policy has increased constantly to attain in 2007 an amount of EUR 201 031 110 in commitment appropriations and EUR 192 303 110 in payment appropriations. Detailed information is provided in the annexes: see table 1: Section III - Commission budget allocated to title 16 - communication (2005-2008).

PDB2008

Regarding the Commission's proposal for the 2008 budget, a slight increase of commitment appropriations by 0,07% compared to 2007 budget can be observed (+ EUR 132 196) and a decrease in payments (- EUR 519 804).

These amounts cover both, administrative and operational expenditure. The PDB 2008 has proposed respectively EUR 107 501 306 for administrative expenditure and EUR 93 662 000 for operational expenditure. That represents 53% of appropriations for administrative expenditure when only 47% of the total budget is for operational expenditure.

The exceeding of the appropriations for administrative expenditure over the appropriations for operational expenditure is constant during the 2005-2008 period. The Rapporteur asks for more information about how this repartition of appropriations ensures the achievement of communication policy objectives and actions and how this breakdown may be reversed.

Title 16 is structured around three main actions: 16 02 "communication and the media", 16 03 "going local" communication and 16 04 "Analysis and communication tools". Chapter 16 01 corresponds to administrative expenditure and accompanies the actions mentioned above.

on a new framework for co-operation on activities concerning the information and communication policy of the European Union of 23 January 2002 in A5-0051/2002 of 23.01.2002

During the 2005-2007 period the most spectacular increase of appropriations has been observed for 16 02 02 "**Multimedia actions**" activities, which increased by 108,33% in commitment appropriations and by 111,11% in payment appropriations. It is followed by 16 02 03 "Information for the media" activities, increased by 29,62% in commitment appropriations and by 47,07% in payment appropriations. These increases have been justified by the need for better information of the media, improvement of media tools and an increase of EU publications.

The 16 03 chapter covers the EU's expenditure on decentralised communication. Its concerns two types of actions: Local actions 16 03 02 and Specific actions on priority themes, of which **PRINCE** 16 03 04. For the referred period, the increase of appropriations is by 55,19% in commitment appropriations and by 95,97% in payment appropriations for local actions, and by only 8,54% in commitment appropriations and by 1,30% in payment appropriations for specific actions which is in the line with the commitment taken by the Commission in its White Paper.

This chapter also covers the funding of the pilot project on **Pilot Information Networks** (PINs): line 16 03 06. The project was included in a specific line of the 2007 budget at the initiative of the European Parliament. No credit has been requested within the framework of the PDB 2008.

Due to its transversal vocation this might be the instrument of cooperation that involves better the MEPs. During the hearing on the "*Efficiency and effectiveness of the communication and information policy*" it was also highlighted that the Members of the European Parliament have an important role to play in promoting the image of the EU, and they should be more involved in communication and information activities.

Concerning "communication and the media" and "going local communication", both experts and officials, stressed the need for improvement in these areas. Therefore, better coordination between institutions at a central level, more efficient use of existing tools of communication and information and better use of professional media are necessary.

Globally, **administrative expenditure** increased by 19,65% in commitment appropriations and decreased by 3,81% in payment appropriations between 2005-2007.

Implementation

The following graph presents the quantitative aspects of implementation of the resources allocated to Communication policy area at the end of 2006. It has to be noted that administrative expenditure were overestimated compared with the support needs for operational expenditure. The Rapporteur could take it into account for the next procedure.

Policy area 16 - Communication: Total Implementation as of 31.12.2006

<i>Budget line</i>	<i>Title</i>	<i>Commitments</i>	<i>Payments</i>
16 01 04 01	Information on EU, general actions — Expenditure on administrative management	58,97%	54,51%

16 01 04 02	Communication actions — Expenditure on administrative management	63,52%	7,71%
16 01 04 03	PRINCE— Expenditure on administrative management	55,49%	35,24%
16 01 04 04	Communication actions— Expenditure on administrative management	71,63%	43,77%
16 02 02	Multimedia actions	99,60%	47,32%
16 02 03	'Going Local' communication	99,92%	77,01%
16 03 01	Information outlets	95,14%	91,94%
16 03 02	Local actions	97,78%	74,22%
16 03 04	Specific actions on priority themes, of which PRINCE	93,54%	59,94%
16 04 02	Online information and communication tools	98,47%	83,78%
16 04 03	Targeted written publications	87,74%	100%

In view of the qualitative aspects, the Discharge Resolution of 2005 for the Commission underlines the need for:

- more transparency in the Commission's actions
- better guarantees of the right to access to information on the projects and actions pertaining to shared management for the EU citizens
- more guarantees for sound use of EU funds allocated for information campaigns by the Member States
- better management of the use of subsidy attributions

The actions run by the Parliament

The European Parliament's communication is made up of a mosaic of different channels, which are complementary and share common goals which are to inform the EU citizen effectively on its activities and to contribute to European construction.

Simultaneously with the Commission, the Parliament has initiated a process by considerably enlarging the scope of actions of its DG Information which was accompanied by a substantial increase of its budget to reach EUR 89 580 000 and 658 staff members in 2007. This has resulted in the definition of a "strong and effective information strategy", a better use of the means available, the creation of a press officer in each of the European Parliament's Information offices for "going local" and the development of three major projects:

- the Visitors Centre
- the WebTV and
- the new audiovisual centre.

Communication policy is of course a key issue as regards the 2009 elections. To that end, the Parliament has proposed an 18-month action programme to make EU citizens more aware of the European elections. An amount of EUR 10 300 000 is planned for 2008; a supplementary funding would be probably needed for 2009.

The tables billow present the appropriations allocated to communication policy by the European Parliament.

European Parliament appropriations : DG INFO				
Title (Chapter)	Appropriations			Variations
	2006	2007	2008	2006/2007
21 Data processing, equipment and furniture: purchase, hire and maintenance	6.040.000	4.985.000	21.780.000	260,60%
23 Current administrative expenditure	2.470.000	1.620.000	1.220.000	-50,61%
32 Expertise and information: acquisition, archiving, production and distribution	49.377.000	60.575.000	88.942.000	80,13%
104 Reserve for information and communication policy	20.000.000	22.400.000	0	
Total	77.887.000	89.580.000	111.942.000	43,72%
Total Staff: DG INFO (including temporaries, contractual and external staff)				
	2005	2006	2007	Variation05/07
AD	189	187	231	22,22%
AST	412	407	427	3,64%
TOTAL	601	594	658	9,48%

The actions run by the Council

Appropriations allocated to communication policy are presented in the following table.

COUNCIL				
Title (Chapter)	Appropriations			Variations
	2006	2007	2008	2006/2008
2213 Information and public events	389.000	1.428.000	1.198.000	207,96%
3312 Information and public events (PESD&PESC)	p.m.	p.m.	50.000	
Total	389.000	1.428.000	1.198.000	220,82%

Inter-institutional cooperation

The EU is a common project shared by all levels of government, all types of organisation and people from all walks of life.

Institutions aim to bring the EU closer to the citizens. Therefore the coordination between the European institutions, in the field of communication and information policy, is necessary. A synergy of actions is even more important when the communication and information policy targets the same public.

The cooperation between the Commission and European Parliament is operated at a centralised and decentralised level.

At a centralised level, the only instrument that the Commission and the Parliament have for pooling their ideas in the field of better communication and joint actions is the

Interinstitutional Group on Information.

Created with a view to set the priorities for the PRINCE programme, the Interinstitutional Group on Information has gained the role of the "forum" proposing the guidelines for the activities in the field of communication. Nevertheless, the statute of the Interinstitutional Group on Information is still to be defined. The European Parliament considers that the group should be predominantly political. The possibility of the creation of a second-level coordination group, implementing the guidelines laid down by the IGI, should be considered as recommended by the EP Resolution on the White Paper of the Commission¹.

At a decentralised level, the European Parliament and the Commission deliver the information through the Houses of Europe, which combine under the same roof the Commission's Representations and EP Information offices.

According to the Mission Statement of the European Parliament, the **Information Offices** of the European Parliament shall be responsible for delivery of DG Information's overall information and communication strategy in the Member States. Its objectives are *to inform the citizen*, both directly and via the European, national, regional and specialist media outlets, of decisions taken by the Parliament and *to promote and project the Parliament and its activities*².

The **Representations** act as the official representatives of the Commission in each Member State. They play a triple role that consists of: *Implementing the Commission's Communication strategy at a local level, providing relevant information about developments within the Commission, interface between the Commission and the political world and civil society in the Member States.*

The global costs of Information Offices and Representations for 2007 are EUR 128 693 310 of with EUR 39 636 700 are foreseen for the EP Information Offices and EUR 89 056 610 for the Commission's Representations.

The **Prince Programme**³ aims to fund actions on priority themes. Based traditionally on the partnership between the Commission and the Member States it should involve the European Parliament more in the establishment of programme priorities, by involving the MEPs fully in the events organised under the programme's auspices.

The European Parliament is aware of the Commission's demand to replace the five existing budgetary lines for the Prince Programme with a single programme run by the DG for Communication, as this would bring currently greater flexibility for Commission's DG and a central interlocutor.

The improvement in communication and information policy can be achieved in a more coherent way within a global concept of communication for citizens. This can only be realised on the basis of an analysis of the added value of each information tool⁴.

¹ P6_TA(2006)0500, 16.11.06

² DG Information, EP Mission Statement adopted on the 24th October 2005 by the Bureau

³ PRINCE was created in 1995 to regroup priority information topics under the EU Budget.

⁴ P6_TA(2007)0099, 29.03.2007 on the guidelines for the 2008 budget procedure

Conclusions:

The information and communication strategy has improved over the past few years but more progress needs to be made in order to employ the available resources in the most efficient way possible

Some first reflections on a "Budget for results" in the field of information and communication policy could centre on the following points:

➤ **Inter-institutional cooperation versus institutions' autonomy**

Of course, from a budgetary view synergies between the institutions in their communication and information efforts are welcome and sought after. The institutions should cooperate as closely as possible in order to cut overheads for decentralised structures, etc. On the other hand they might have their own concrete communication targets which are not always identical.

The right balance needs to be achieved between the **independence of each EU institution** to carry out its own information and communication policy and (i) the extra budgetary costs of separate policies and (ii) possible confusion due to a multiplicity of messages and opinions.

➤ **More structured and better prioritised communication**

If resources are scarce, priorities for employing them need to be decided upon. A strategic list of priorities has to be set up which would then have to be checked against budgetary and human resources available. All actors involved in decision taking need to be aware that any new communication and information activity which has not been programmed yet by the European Commission will have to come from the margins existing in the current MFF 2007 - 2014 - and these margins are dwindling.

➤ **Cost-effectiveness of modern information technologies**

In the past few budgetary resolutions, Parliament has consistently argued for effective use of modern information technologies in communication policy. Pilot Information Networks are one example, WebTV might be considered to be another. The cost-effectiveness of the media to be used in communication and information campaigns deserves some close scrutiny and regular re-evaluation in order to be able to keep up with technological developments and possibilities.

➤ **Think local - go local**

In order to achieve the most results with the least means the message one would like to transmit should be adapted to different audiences, sectors or countries. There is a clear link between the medium through which a message is communicated and the level at which this occurs and, besides, local communication may not only be a lot cheaper but at least as efficient as centralised activities. As Parliament has noted regularly in the past, efforts should be made to strengthen the extent to which communications policy can be delivered locally,

i.e. in a manner that may be readily understood by the people of Europe in local terms. In the short term, this may require greater investment in staff in local offices in Member States with communication and information strategies focussing more on individual citizens.

ANNEX: TABLE 1

SECTION III - COMMISSION BUDGET ALLOCATED TO TITLE 16 - COMMUNICATION (2005-2008)

Line N°	Title (2007 nomenclature)	Outturn 2005		2006		2007		PDB 2008		Evolution 2005/2007	
		CE	CP	CE	CP	CE	CP	CE	CP	CE	CP
16 01 01	Dépenses liées au personnel en activité du domaine politique "Communication"	41.204.969	49.610.664	41.878.352	41.878.352	48.208.448	48.208.448	47.370.795	47.370.795	17,00%	-2,83%
			92.001	445.154	445.154						
16 01 02	Personnel externe et autres dépenses de gestion à l'appui du domaine politique "Communication"	19.061.325	21.489.186	20.444.425	20.444.425	26.097.642	26.097.642	25.934.989	25.934.989	36,91%	21,45%
			13.364								
16 01 03	Dépenses relatives aux achats d'équipements et de services, dépenses immobilières et autres dépenses de fonctionnement du domaine politique "Communication"	28.207.775	38.212.439	30.111.009	30.111.009	31.377.020	31.377.020	30.595.522	30.595.522	11,24%	-17,89%
16 01 04	Dépenses d'appui aux actions du domaine politique "Communication"	3.082.255	4.465.000	4.264.500	4.264.500	3.864.500	3.864.500	3.600.000	3600000	25,38%	-13,45%
16 01	Sub total	91.556.324	113.882.654	97.143.440	97.143.440	109.547.610	109.547.610	107.501.306	107.501.306	19,65%	-3,81%
	Actions multimédias	9.000.000	9.000.000	15.250.000	15.250.000	18.750.000	19.000.000	20.700.000	17.000.000	108,33%	111,11%
				1.000.000	1.000.000						
16 02 03	Informations destinées aux médias	2.600.000	2.200.000	3.250.000	2.709.535	3.370.000	3.235.500	3.970.000	3.500.000	29,62%	47,07%
16 02 04	Exploitation des studios de radiodiffusion et de télévisions et équipements audiovisuels	5.600.000	5.600.000	5.600.000	5.600.000	5.600.000	5.600.000	6.212.000	6.212.000	0,00%	0,00%
16 02	Sub total	17.200.000	16.800.000	25.100.000	24.559.535	27.720.000	27.835.500	30.882.000	26.712.000	61,16%	65,69%
16 03 02	Actions locales	5.408.343	3.571.938	8.249.000	7.175.136	8.393.000	7.000.000	9.200.000	8.500.000	55,19%	95,97%
				401.000	200.000						
16 03 04	Actions spécifiques sur des thèmes prioritaires, dont PRINCE	7.248.792	7.403.630	7.300.000	6.968.000	7.868.000	7.500.000	12.830.000	8.500.000	8,54%	1,30%
				1.068.000	533.333						
16 03 05	EuroGlobe					1.500.000	1.500.000				
16 03 06	Projet pilote concernant des réseaux d'information pilotes (RIP)					5.000.000	3.000.000				
16 03	Sub total	12.657.136	10.975.568	17.018.000	14.876.469	22.761.000	19.000.000	22.030.000	17.000.000	79,83%	73,11%
16 04 01	Analyse de l'opinion publique (ex 16 03 01)	7.110.000	5.713.091	5.069.000	4.000.000	5.600.000	5.600.000	5.800.000	5.800.000	-21,24%	-1,98%

				531.000	266.667						
16 04 02	Outils d'information et de communication en ligne	9.253.333	7.233.372	8.800.000	8.016.377	10.180.000	9.400.000	10.880.000	8.500.000	10,01%	29,95%
16 04 03	Publications écrites ciblées	5.709.064	5.079.912	6.050.000	5.398.952	6.050.000	4.500.000	5.150.000	5.150.000	5,97%	-11,42%
16 04 04	Publications écrites générales (ex 16 03 03)	2.420.000	1.884.815	2.420.000	2.420.000	2.420.000	2.420.000	2.420.000	2.420.000	0,00%	28,39%
16 04 05	Prince - rôle de l'union européenne dans le monde										
16 04	Sub total	24.492.397	19.911.190	22.870.000	20.101.996	24.250.000	21.920.000	24.250.000	21.870.000	-0,99%	10,09%
16 05 01	Relais d'information	17.788.301	9.340.315	16.752.500	15.132.500	16.752.500	14.000.000	15.300.000	15.300.000	-5,82%	49,89%
				1.000.000	500.000						
16 49 04	Dépenses d'appui aux actions du domaine politique "Presse et Communication"	—	p.m.	—	—						
16 04	Facilité de performance pour la rubrique 3										
16 05	Sub total	17.788.301	9.340.315	17.752.500	15.632.500	16.752.500	14.000.000	15.300.000	15.300.000	-5,82%	49,89%
	Total	163.694.158	170.909.727	179.883.940	172.313.940	201.031.110	192.303.110	201.163.306	191.783.306	18,57%	11,12%

ANNEX: TABLE 2

IMPLEMENTATION POLICY AREA 16 - COMMUNICATION as of 31/12/2006

Budget Line	Title	Cat	Commitments						Payments						
			Initial Budget	Reserve	Appropriations (inc. Abs, Transfers)	Total Implementation	Implementation same date 1st year	Difference (%) at same date	Implementation on 31/12/2005 (%)	Initial Budget	Reserve	Appropriations (inc. Abs, Transfers)	Total Implementation	Implementation same date last year	Difference (%) at same date
16 01 04 01	Actions générales d'information sur l'Union européenne — Dépenses pour la gestion administrative — Relais d'information	3	0,2		0,2	58,97%	42,79%	-16,18%	42,79%	0,2	0,2	54,51%	22,38%	-32,13%	22,38%
16 01 04 02	Dépenses pour la gestion administrative Prince (programme d'information du citoyen européen) — Actions d'information pour des politiques spécifiques —	3	0,3		0,3	63,52%	24,42%	-39,10%	24,42%	0,3	0,3	7,71%	20,03%	12,32%	20,03%
16 01 04 03	Dépenses pour la gestion administrative Actions de communication —	3	1,5		1,5	55,49%	63,20%	7,71%	63,20%	1,5	2,4	35,24%	38,82%	3,58%	38,82%
16 01 04 04	Dépenses pour la gestion administrative	3	2,3		2,3	71,63%	82,01%	10,38%	82,01%	2,3	3,6	43,77%	41,43%	-2,34%	41,11%
	Total 16 01		4,3		4,3					4,3	6,5				
16 02 02	Information du citoyen par les médias	3	15,3		16,1	99,60%	97,09%	-2,51%	97,09%	15,3	16,1	47,32%	67,93%	20,61%	67,93%
16 02 03	Communication directe — Médias	3	2,7		2,9	96,92%	89,92%	-7,00%	89,92%	2,2	2,9	77,01%	93,84%	16,83%	93,84%

	Total 16 02		18,0	19,0					17,5	19,0				
16 03 01	Analyse de l'opinion publique et actions de proximité	3	9,5	11,0	95,14%	99,12%	3,98%	99,12%	7,5	10,5	91,94%	98,04%	6,10%	98,02%
16 03 02	Actions de communication	3	8,7	8,7	97,78%	78,20%	-19,58%	78,20%	8,1	7,8	74,22%	60,42%	-13,80%	60,42%
16 03 04	Prince — Débat sur l'avenir de l'Union européenne	3	6,7	9,1	93,54%				6,5	7,0	59,94%			
	Total 16 03		24,8	28,8					22,1	25,3				
16 04 02	Outils d'information du citoyen	3	6,4	6,8	98,47%	88,65%	-9,82%	88,65%	6,2	9,7	83,78%	97,81%	14,03%	92,93%
16 04 03	Outils de communication	3	4,8	4,0	87,74%	64,88%	-22,86%	64,88%	3,8	3,4	100,00%	66,46%	-33,54%	63,21%
16 04 04		3												
	Total 16 04		11,2	10,8					10,0	13,1				
16 15 01	Relais d'information	3	16,8	16,4	99,17%	95,64%	-3,53%	95,64%	15,1	21,3	82,38%	69,23%	-13,15%	69,19%
	Total 16 15		16,8	16,4					15,1	21,3				
16 49 04 01		3												
16 49 04 02		3												
16 49 04 03		3												
16 49 04 04		3												
	Total 16 49													
16 50 01		3												

ANNEX: Table 3: Analysis of costs of external offices

Initial appropriations allocated for Parliament's Information Offices and Regional Offices (2007).

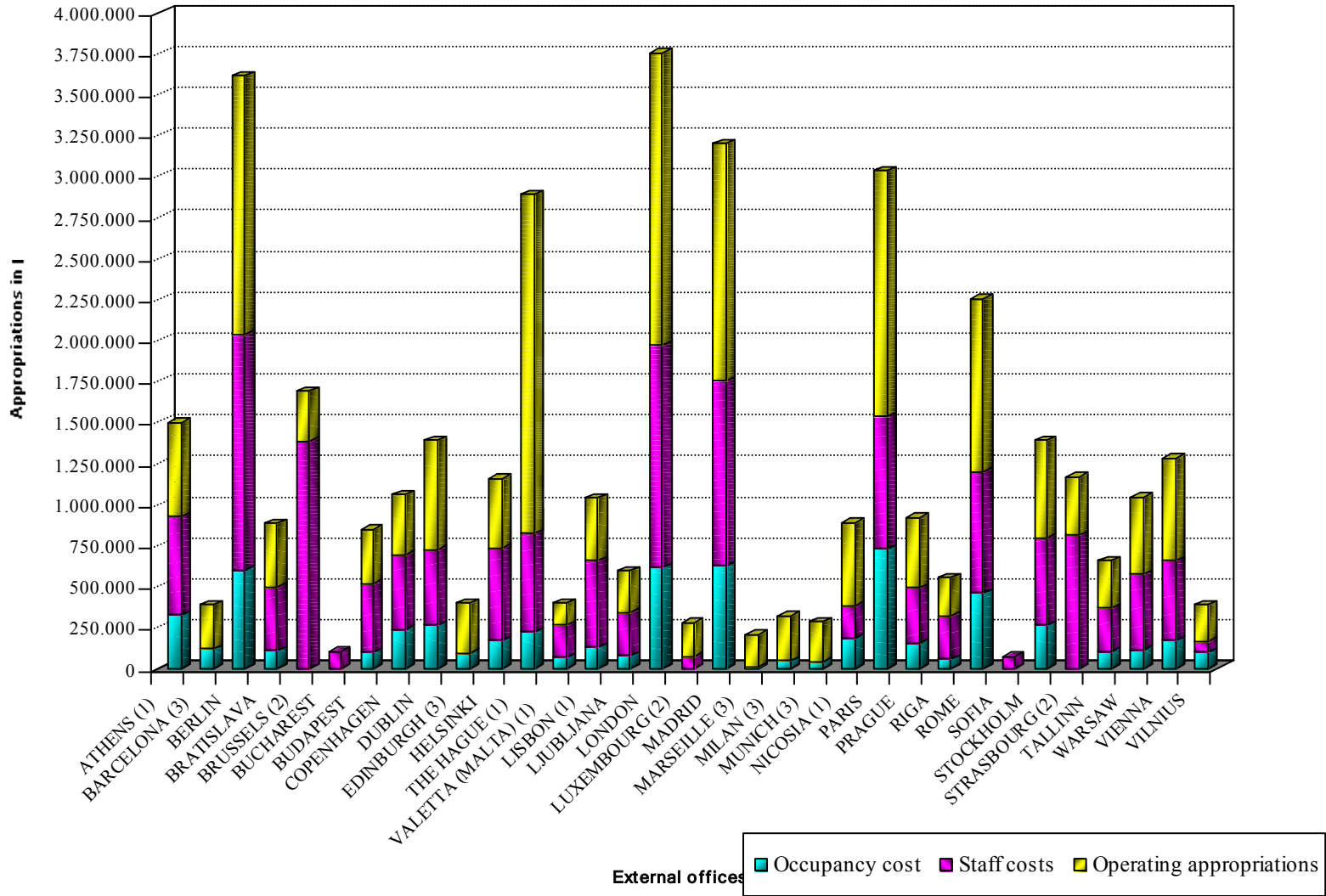
CITY	Occupancy cost	Staff costs ⁽⁴⁾	Operating information appropriations ⁽⁵⁾	Total
Information Offices and Regional Offices				
ATHENS ⁽¹⁾	324.000	598.679	575.650	1.498.329
BARCELONA ⁽³⁾	118.209		266.400	384.609
BERLIN	599.516	1.437.899	1.576.400	3.613.815
BRATISLAVA	105.508	388.406	388.200	882.114
BRUSSELS ⁽²⁾		1.386.699	305.400	1.692.099
BUCHAREST		102.884		
BUDAPEST	98.373	416.679	330.000	845.052
COPENHAGEN	235.232	458.497	364.900	1.058.629
DUBLIN	264.368	458.497	667.365	1.390.230
EDINBURGH ⁽³⁾	91.300		306.900	398.200
HELSINKI	169.143	564.074	425.000	1.158.217
THE HAGUE ⁽¹⁾	222.773	598.679	2.069.500	2.890.952
VALETTA (MALTA) ⁽¹⁾	66.818	194.203	138.300	399.321
LISBON ⁽¹⁾	128.062	528.588	381.130	1.037.780
LJUBLJANA	75.744	264.294	251.900	591.938
LONDON	616.935	1.349.743	1.785.560	3.752.238
LUXEMBOURG ⁽²⁾		70.091	208.900	278.991
MADRID	623.805	1.127.267	1.449.030	3.200.102
MARSEILLE ⁽³⁾	11.015		194.800	205.815
MILAN ⁽³⁾	44.504		277.300	321.804
MUNICH ⁽³⁾	38.288		245.700	283.988
NICOSIA ⁽¹⁾	185.763	194.203	508.900	888.866
PARIS	726.021	808.952	1.498.100	3.033.073
PRAGUE	155.322	334.385	431.000	920.707
RIGA	54.673	264.294	231.200	550.167
ROME	460.000	738.861	1.055.810	2.254.671
SOFIA		73.556		
STOCKHOLM	264.818	528.588	594.840	1.388.246
STRASBOURG ⁽²⁾		808.952	359.100	1.168.052
TALLINN	103.369	264.294	290.800	658.463
WARSAW	115.128	458.497	471.500	1.045.125
VIENNA	171.576	486.770	624.010	1.282.356
VILNIUS	94.920	70.091	221.300	386.311
Total	6.165.183	14.976.622	18.494.895	39.636.700

⁽¹⁾ Notional occupancy cost plus 6% of purchase price.

⁽²⁾ For Brussels, Luxembourg and Strasbourg, the amounts are included in the analysis for the three working places.

⁽³⁾ The staff costs for the Barcelona, Edinburgh, Marseille, Milan and Munich Regional Offices are included against the Information Offices of which they are a branch.

⁽⁴⁾ Comprises basic salaries, family allowances, expatriation and foreign residence allowances, and secretarial allowances.



ANNEX: TABLE 4

European Commission

COSTS OF THE REPRESENTATIONS

Amounts committed by the Representations of the Commission in the member states (2006)				
CITY	Occupancy costs (1)	Staff costs (2)	Operational costs (3)	Total
Representations				
ATHENS	628.589	1.228.401	1.243.895	3.100.886
BERLIN (incl.regional offices)	2.214.464	3.221.964	4.642.625	10.079.053
BRATISLAVA	272.966	839.570	243.635	1.356.171
BRUSSELS	97.810	1.069.010	2.188.886	3.355.706
BUDAPEST	494.935	900.360	1.145.152	2.540.447
COPENHAGEN	2.452.067	1.423.552	866.993	4.742.612
DUBLIN	1.110.989	1.123.524	1.626.231	3.860.744
HELSINKI	636.204	1.070.045	1.297.229	3.003.478
THE HAGUE	777.987	928.398	1.487.927	3.194.311
VALETTA	545.509	525.276	503.427	1.574.212
LISBON	315.268	1.433.608	1.346.202	3.095.078
LJUBLJANA	378.378	743.258	585.714	1.707.350
LONDON (incl.reg.offices)	1.641.510	2.752.438	1.481.345	5.875.293
LUXEMBOURG	304.530	723.184	353.421	1.381.136
MADRID (incl.reg. offices)	1.709.480	2.658.719	3.526.311	7.894.510
NICOSIA	499.507	561.166	472.602	1.533.275
PARIS (incl.regional offices)	1.132.655	1.773.204	4.033.513	6.939.371
PRAGUE	388.395	949.282	434.002	1.771.679
RIGA	259.598	597.056	405.644	1.262.298
ROME	1.408.083	2.441.724	4.927.497	8.777.304
STOCKHOLM	759.282	1.017.635	1.503.335	3.280.252
TALLIN	431.287	803.680	429.518	1.664.485
WARSAW	533.971	1.210.554	530.373	2.274.898
VIENNA	575.978	1.603.089	964.068	3.143.135
VILNIUS	302.850	740.378	605.698	1.648.926
Total	19.872.292	32.339.075	36.845.243	89.056.610

(1) Occupancy costs : Buildings and related expenditure of representation offices (budget line 16 01 03 03)

(2) Staff costs : calculated on the basis of an average 2006 costs of contractual agents and permanent staff.

(3) Operational costs : all operational expenditure of the representations on Heading 3b of the financial perspectives

Working document on PDB 2008 - First analysis

1. The Preliminary Draft Budget (PDB) for 2008 was adopted by the Commission on 2 May 2007. The 2008 budget will be the second that is set to be agreed within the framework of the multi-annual financial framework (MFF) 2007 - 2013 as agreed in the Inter-institutional agreement (IIA) of 17 May 2006. This working document provides an initial overview of the main figures and subjects covered in the PDB.
2. The structure of the present working document accords with the heading structure of the MFF. This is in line with the political presentation of the PDB by the Commission. After an initial overview of the figures, and some general comments by the rapporteur, the working document looks at the main developments in the PDB across the MFF heading structure and at some specific horizontal issues. The PDB 2008 itself is essentially a forward looking document, but your rapporteur recalls the importance of monitoring budget implementation during 2007 and also during Parliament's work on the preparation of the 2008 budget.

Overview of figures by MFF heading

Table 1a - PDB 2008: commitments and payments (EUR current prices)

Heading	MFF ceiling	PDB 2008		Margin
		Commitments	Payments	
1a. Competitiveness for growth and employment	9 847 000 000	*10 270 429 000	9 538 679 600	76 571 000
1b. Cohesion for growth and employment	46 889 000 000	46 877 941 445	40 622 714 507	11 058 555
2. Preservation and management of natural resources	58 800 000 000	56 275 831 496	54 770 478 053	2 524 168 504
3a. Freedom, security and justice	747 000 000	691 034 000	496 446 000	55 966 000
3b. Citizenship	615 000 000	598 493 000	694 383 006	16 507 000
4. The European Union as global partner	7 002 000 000	**6 911 414 000	7 916 743 400	329 804 000
5. Administration	7 380 000 000	***7 355 714 836	7 336 274 836	121 285 164
6. Compensation	207 000 000	206 636 292	206 636 292	363 708
Total	131 487 000 000	129 167 494 069	121 582 355 694	3 135 723 931

* including appropriations of EUR 500 million related to the European Globalisation Adjustment Fund which do not count for the margin

** including appropriations of EUR 239,2 million related to the Emergency Aid Reserve which do not count for the margin

*** including appropriations of EUR 77 million related to footnote (1) of the Financial Framework 2007 - 2013 (staff contributions to the pensions scheme) which do not count for the margin

3. Table 1a sets out the commitment appropriations as included in the PDB 2008 with a total of EUR 129 167 million. As per table 1b, this is an increase of 2 % on Budget 2007. Compulsory expenditure decreases by 1,2%, and non-compulsory expenditure increases by 3,8 %. The lion's share of compulsory expenditure in the PDB 2008 is covered by agricultural spending within heading 2. The observed trend away from compulsory expenditure and towards non-compulsory expenditure is in line with the point emphasised by Commissioner Grybauskaitė in her presentation to COBU on 2 May 2007 that the PDB 2008 is the first in which planned spending under Heading 1 (competitiveness and cohesion) exceeds that under Heading 2 (preservation and management of natural resources). In aggregate, commitment figures in PDB 2008 leave a margin of EUR 3 135,7 million under the MFF ceiling.
4. According to the latest forecast for EU GNI of EUR 12 589,2 billion, the commitments total is equivalent to 1,03 % of GNI. For comparison: the 2008 commitment ceiling as agreed in Annex 1 to the IIA of 17 May 2006 equals 1,06 % of GNI.

Table: 1b Overview of PDB 2008 - Changes to Budget 2007 (in %)

Heading	Increase / Decrease PDB 2008 compared to B'2007	
	Commitments	Payments
1a Competitiveness for growth and employment	+ 9,6%	+ 35,4%
1b Cohesion for growth and employment	+ 3,1%	+ 7,5%
2 Preservation and management of natural resources	0,0%	+ 0,1%
3a Freedom, security and justice	+ 10,8%	+ 4,8%
3b Citizenship	- 7,6%	- 4,6%
4 The European Union as a global partner	+ 1,5%	+ 7,7%
5 Administration	+ 5,7%	+ 5,7%
6 Compensation	- 53,5%	- 53,5%
Total	+ 2,0%	+ 5,3%

5. The overall total for payment appropriations is EUR 121 582 million. Table 1b shows that this is an increase of 5,3 % compared to 2007. The payments level in the PDB 2008 corresponds to 0,97 % of EU GNI. The 2008 payments ceiling of EUR 129 481 million as adopted in Annex 1 to the IIA actually amounts to 1,04 % of GNI. Compared to these figures, PDB 2008 leaves a margin of EUR 8 214 million for payment appropriations.
6. **Your rapporteur highlights** that this leaves a large margin under the payments

ceiling. It is to be hoped that accurate budget implementation and spending on political priorities in line with Parliament's emphasis on a "budget for results" should facilitate a higher level of payments in the 2008 budget than has been foreseen by the Commission in the PDB.

Rapporteur's general comments - a budget for results

7. In line with Parliament's resolution on the Commission's Annual Policy Strategy (APS) for 2008⁴⁵, **clarity of budget presentation** is a priority of the European Parliament. Your rapporteur will continue to stress the importance of delivering a 2008 "budget for results". But results can only be achieved and measured if objectives are clear. The *budget line* remains the fundamental building block of the annual budget procedure. The *policy area* is the key element of the budget nomenclature through which Parliament can monitor the allocation of financial and human resources under activity-based budgeting (ABB) .
8. Your rapporteur considers that the **activity statements** provided by each Commission DG provide a useful tool to the Budgetary Authority to evaluate the extent to which each Commission Directorate-General is aiming to deliver results through its allocation of budgetary and human resources. Based on an initial examination, your rapporteur welcomes an improvement in the clarity of presentation, greater focus on objectives and outcome measures, and a reduced volume of text on internal process. He will examine the activity statements in greater detail during the course of the 2008 budget procedure.
9. Your rapporteur looks forward to the first **Budget Forecast Alert (BFA)** during 2008, due to be agreed by the Commission in June, and to discussions with his colleagues in the Committee on Budgets as to how best to make use of this data.
10. On **decentralised and executive agencies**, your rapporteur notes the continuing growth in staff numbers in the decentralised agencies is being financed from the operational headings (1, 2, 3 and 4) of the MFF. The funds lost to operational objectives in this way are approximately EUR 312 million in PDB 2008. Further, EUR 73 million are requested for executive agencies (which carry out "administrative" tasks on behalf of Commission Directorate-Generals). Your rapporteur considers that these figures should be transparently acknowledged by the Commission. He further considers that attention should be given during the 2008 budget procedure to defining an appropriate guideline ratio for the number of posts that should be reduced/ offset in a "mother" Directorate-General when an executive agency is established under the supervision of that Directorate-General.
11. The prospect of slim margins over the MFF means less scope for adjusting spending according to the priorities of the budgetary authority. Where there is a case for agreeing programme envelopes that exceed those foreseen in the 17 May 2006 IIA due to Parliamentary priorities, your rapporteur recalls that article 37 of the IIA provides the opportunity for up to 5% of "legislative flexibility". Where spending programme envelopes are being "**back-loaded**" (lower commitments in

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the early part of the MFF in anticipation of higher commitments in the latter part) this may be storing up future pressures. Your rapporteur considers that some degree of inter-institutional cooperation may be necessary to ensure a coherent programming of commitments over the MFF.

12. The very low level of margins available, in particular under headings 1a, 3a, 3b and 4 of the MFF reduce the scope for Parliament to finance **pilot projects and preparatory actions** (which are budgeted as "pour mémoire", or p.m., in the PDB 2008 such that any commitments voted by Parliament count against the margins). Similar arguments pertain to possible initiatives that might be brought forward under the prerogatives of the Commission.

Heading 1a - competitiveness for growth and employment

13. This sub-heading encompasses the key policies in achieving the Lisbon Strategy. The summary figures are set out in tables 1a and 1b in the overview section. The main programmes of this sub-heading are the 7th Framework Programme for research and technological development, the Competitiveness and Innovation Programme (CIP), the Lifelong Learning Programme, the Progress Programme, the Trans-European Networks (TENs), Marco Polo II and Galileo. Other actions contributing to the goals of competitiveness, sustainable growth and employment are internal market, statistics, the fight against fraud, and taxation and the customs union.

Research (MFF reference amount for 2007 - 2013: EUR 50 521 million)

14. **Your rapporteur welcomes** the increase foreseen for heading 1a spending in the PDB 2008. At a general level, he wishes, however, to express his concern that the number of initiatives being taken forward concurrently in this area, described below, carries with it the risk of overlap and poor coordination. He welcomes the table on page 99 of PDB Document II provided by the Commission that sets out the proposed division of funds across the various research programmes and policy areas involved, but wonders whether the *de facto* separation is as Cartesian as the table would imply.
15. According to the Commission and despite the delays in adopting the legal basis the 7th Framework Programme (EC and EURATOM) for research and technological development (FP7) will be fully operational in 2008. One of the innovations of FP7 is the European Research Council (ERC). From 2008 onwards, the ERC will be responsible for the implementation of the "Ideas" programme. It is understood that an executive agency (EA) will be requested to support the ERC and to allow it to play its full role as a pan-European funding agency for frontier research. A second EA may be requested to manage other parts of the EC 7th Framework Programme (FP7). Parliament will examine the

value added of these potential new EAs in due course.

16. For the EC 7th Framework Programme for 2008, the Commission is proposing a total budget of EUR 5 579 million (including direct research). The most important specific programmes concern the following 4 objectives:
 - Cooperation (EUR 3 802 million)
 - Ideas (EUR 546 million)
 - People (EUR 496 million)
 - Capacities (EUR 501 million)
17. In the PDB 2008 an amount of EUR 115,4 million is proposed for the fusion part of the Euratom 7th Framework Programme (including ITER) - budget line 08 20 01. EUR 164,8 million of the Euratom Research Programme are proposed for the Joint Undertaking for ITER - budget line 08 20 02. Concerning the FP7 Euratom, following the recent creation of the ITER international organisation and of the Joint Undertaking for ITER, the main priority under the theme of Fusion Energy in 2008 will be the operational start up of the ITER project, which has been successfully negotiated in FP6.
18. The rapporteur notes that the creation of the European Institute of Technology (EIT) as proposed by the Commission - the direct cost to the EU budget of which is expected to represent about EUR 308 million over the 2007-2013 period - was not foreseen in the MFF as agreed in May 2006 and would therefore need to be financed from the margin of heading 1A. He notes that an amount of EUR 2,9 million has been entered in the PDB. According to the Commission this will allow preparatory work for the launching of the Institute in 2010. However, the budget line for the EIT as proposed in the PDB 2008 is 15 02 11, which is part of the chapter on lifelong learning (and not 02 02 10, chapter on competitiveness, industrial policy, innovation and entrepreneurship as initially laid down in the Commission proposal on the EIT). The rapporteur takes note of the legislative proposal currently under discussion. He wishes to express his concern about the potential sources of financing of the Knowledge and Innovation Communities (KICs) as well as for the "body" (in the meaning of article 185 of the Financial Regulation) itself as proposed by the Commission. He insists on further clarification from the Commission on how it will ensure that KICs and other existing components of FP7 (such as Networks of excellence) will add value through fair competition for funding. Further, any potential use of funds from the structural funds, the CIP programme or FP7 should be in line with the specificity principle of the budget, according to which multiple sources of funding for a specific objective might be contrary to the Financial Regulation.
19. A new preparatory action (EUR 3 million in 2008) in the area of Global

Monitoring for Environment and Security (GMES) is intended to allow research efforts to come to operational fruition in the specific case of rapid mapping service in support of civil protection and humanitarian aid in the emergency response phase.

Galileo

20. The rapporteur takes note of the recent Communication on "Galileo at a crossroads: the implementation of the GNSS programme" which highlights the crucial phase of Galileo following the failure of the Public-Private-Partnership (PPP). He reminds the Commission and the Council that more than EUR 1 billion is already foreseen in the 2007-2013 MFF for Galileo under FP 7 (EUR 151 m in PDB 2008) and that the IIA of 17 May 2006 foresees appropriate instruments to ensure the additional requirements (EUR 400 million per year) to ensure a Community funding to this programme with a huge European added value. He further recalls that during the negotiations on the MFF, Parliament repeatedly warned Council and Commission of potential serious under-funding of Galileo.

Competitiveness and Innovation (MFF reference amount: EUR 3 621 million)

21. The Competitiveness and Innovation Programme (CIP) is an important part of the strategy on the renewed Lisbon process. It is split between different policy areas (titles), namely: title 2 (enterprise), title 6 (energy and transport) and title 9 (information society). An amount of EUR 403,7 million is proposed for the CIP for 2008 (compared to EUR 388 million in the PDB 2007).

The Lifelong Learning Programme (MFF reference amount: EUR 6 970 million)

22. The Lifelong Learning (LLL) Programme, including multilingualism, is one of the main programmes financed by sub-heading 1a that follows the objective of improving the quality of education and training. It includes Comenius, Erasmus, Leonardo da Vinci, Grundtvig strands, transversal activities and Jean-Monnet Action. For this second year of implementation, the total amount of appropriations is EUR 899 million, which represents an increase of 9% compared with B2007.

Progress (MFF reference amount: EUR 743 million)

23. Progress is the integrated programme for Employment and Social Solidarity supporting the implementation of the social policy agenda (EUR 95,7 million is foreseen in PDB 2008). Sustaining social dialogue, free movement of workers and studies and special reports in the social field, to promote and facilitate social dialogue at the European level (Working for Europe-Social dialogue and mobility programme). has EUR 65,8 million allocated to it in the PDB2008, which

represents a decrease of 3,84% compared to B2007.

24. The **European Globalisation Adjustment Fund** is intended to provide additional support for workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.
- The reference amount for this Fund was settled by the IIA of 17 May 2006 and it was fixed at EUR 500 million by year. It remains to be seen how much demand there will be for this instrument and precisely how financing will be arranged in practice.

Trans-European Networks (TENs) and Marco Polo

25. The MFF reference amounts are EUR 8 013 million for TEN Transport and EUR 450 million for Marco Polo II. The total funding for TENs activities in the field of transport is proposed at EUR 972 million. This would appear to be in line with the initial financial programming. In the field of energy, EUR 22 million is foreseen for TEN-E the "Priority Interconnection Plan" (PIP) out of EUR 155 foreseen of the 2007 - 2013 MFF.

Heading 1b - cohesion for growth and employment

26. Heading 1b of the financial framework covers the Structural Funds - the European Regional Development Fund (ERDF) and the European Social Fund (ESF) - and also the Cohesion Fund. It relates essentially to the following activity-based budgeting (ABB) policy areas: Regional policy, for the ERDF and the Cohesion Fund, and; Employment and social affairs, for the ESF.
27. The principal priority for 2008 will be to ensure the smooth implementation and uptake of Community funds for the Operational Programmes agreed in line with the adopted National Strategic Reference Frameworks of the Member States.

Commitment Appropriations

28. For 2008, total commitment appropriations for heading 1b amount to EUR 46 878 million, an increase of 3,1 % relative to 2007. Of these, EUR 38 723 million are for the Structural Funds (European Social Fund and European Regional Development Fund), an increase of 1,0 % relative to 2007, and EUR 8 155 million for the Cohesion Fund. The latter figure represents an increase of 14,4 % relative to 2007. Typically, the Structural and Cohesion Funds entirely exhaust the resources available within the heading, and there will therefore be no margin available within sub-heading 1b.

Payment appropriations

29. For heading 1b, the overall payments budget is EUR 40 622 million, an increase of 7,5 % over 2007. This figure comprises three components: advance and interim payments relating to the commitments under the new 2007-2013 Financial Framework, which is the largest component; reimbursements to clear RAL for the 2000-2006 programmes and projects; and a residual amount to clear the remaining RAL for the pre- 2000 programmes. RAL for the structural funds in 2006 increased stood at EUR 77,8 billion. For the cohesion fund the RAL was 15,4 billion. This gives a total of EUR 93,2 billion for overall RAL for structural operations, which is more than 70% of outstanding commitments. Your rapporteur further notes that cancelled payment appropriations in the 2006 Budget in the area of structural funds totalled EUR 3,3 billion once the amending letter to amending budget 6/2006 is taken into account.
30. **Your rapporteur offers** two concluding comments on heading 1b. The first is that he will seek clearer explanations from the Commission than those that have been provided thus far as to the precise nature of the RALs. He also considers that Parliament should take account of the fact that the structural funds available to the twelve member states that have most recently joined the EU represent an historic opportunity to access significant sums to enhance their potential for higher economic growth and the quality of their infrastructure. Parliament should pay close attention to supporting efforts in this direction. Your rapporteur further notes that this window of opportunity may not be available in future financial framework periods.

Heading 2 - preservation and management of natural resources

31. Heading 2 is the largest single heading in the PDB 2008 in money terms, if headings 1a and 1b are treated separately. It comprises parts of the following policy areas: 05 agriculture and rural development, 07 environment, 11 fisheries and maritime affairs, 17 health and consumer affairs.
32. The Commission presents under Heading 2 five parts which do not necessarily correspond precisely to the policy areas mentioned above (figures for commitments):
- Market related expenditure and direct aids: EUR 42 498, 9 million
 - Rural development: EUR 12 570,7 million
 - Fisheries: EUR 895,8 million
 - Environment: EUR 266,9 million
 - Other actions and programmes (including decentralised agencies): EUR 43,3 million.

33. This equates to a total of EUR 56 275, 8 million: an increase of EUR 25 million compared to 2007 Budget. The ceiling for 2008 in the MFF being fixed at EUR 58 800 million, this leaves a margin of EUR 2 524,1 million. A proportion of around 75,1 per cent of this spending concerns compulsory nature⁴⁶, on which the Council has the final say in the annual budget procedure and appears to take minimal notice of the views of Parliament.
34. In connection with a first analysis of planned spending under this heading, your rapporteur recalls that the first conciliation of the 2008 budget procedure is due to be held on 13 July 2007. In line with annex II of the 17 May 2006 IIA and with reference to the previous "ad hoc" procedure, this meeting will seek to make progress on agriculture, fisheries and CFSP issues.

Agriculture

35. In the financial framework for the period 2007-2013, the first and second pillars of agricultural policy are now grouped under Heading 2, which opens up the possibility for transfers between, on the one hand, direct aid and market related expenditure and, on the other, rural development measures.
36. Since 1 January 2007, the Community has laid down new conditions and specific rules for financing expenditure under the common agricultural policy (CAP) and created two new funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). Council regulation 1290/2005 establishes the single legal framework for financing CAP spending, creating two new funds under the general EU budget, the EAGF and the EAFRD.
37. Looking at the numbers in detail, in policy area 05, EUR 42 216,4 million (chapters 05 02 - EUR 5 003,4 million and 05 03 - EUR 37 213,0 million) are proposed for market expenditure and direct aids whereas EUR 12 571 million are proposed for rural development (chapter 05 04). On rural development, covered in chapter 05 04, the PDB 2008 requests EUR 12 571 million in commitment appropriations, nearly EUR 200 more than in 2007.
38. 2008 will be the year of the 'health check' of the CAP⁴⁷. Parliament, and in particular the committee on agriculture, expects to be fully associated to this process. **The rapporteur acknowledges** the Commission's commitment to the need for this assessment of the functioning of the reformed CAP in the 2008 PDB.

⁴⁶ Annex III -classification of expenditure of Inter-institutional agreement on budgetary discipline and sound financial management: "all expenditure of the CAP concerning market measures and direct aids, including market measures for fisheries and fisheries agreement concluded with third parties."

⁴⁷ Declaration 3 of the Interinstitutional agreement of 17 May 2006

Fisheries

39. Two main instruments are distinguished reflecting two separate legal bases. First, the European Fisheries Fund (EFF), in force since 4 September 2006, replacing the former Financial Instrument for Fisheries Guidance (FIFG). Second, the instrument covering all other actions related to the Common Fisheries Policy (CFP), including international fisheries and the law of the Sea, in force since 4 July 2006.
40. For the EFF, the Commission proposes EUR 588,5 million in commitment appropriations and EUR 450,8 million in payment appropriations, respectively +3,1 % and -46,2 % relative to 2007. The increase for commitment appropriations is in line with the EFF envelope decided in the legal basis. For the CFP-instrument, the appropriations proposed are, in total, EUR 306,6 million for commitments and EUR 288,5 million for payments.

Environment

41. Environment is one of Commission's policy priorities for 2008, as underlined in the APS 2008. This is in line with four priority areas identified by the 6th Environmental Action Programme (2002-2012): climate change; nature and biodiversity; sustainable management and use of resources; environment and health.
42. By far the biggest amount out of the operational budget is being categorized under chapter 07 03 "Implementation of Community environmental policy and legislation" (EUR 280,6 million) from which article 07 03 07, "LIFE + (financial instrument for the environment -2007 - 2013)" takes EUR 248,1 million in commitments. The Commission notes that LIFE + programme contains substantial differences from the original proposal, in particular as regards the management method (central direct management by the Commission instead of indirect centralised management with national agencies as originally proposed), an approach supported very much by the Committee on Budgets during the legislative process of this instrument, but which necessarily entails additional resource requirements for DG Environment.
43. The PDB states that 2008 will be a decisive year for the EU's climate change policy. But your rapporteur would like to receive more detailed information as to how it is intended to use the requested increase in resources from EUR 273 million in commitments in 2007 to EUR 298 million in 2008 for intensified

activities in the area of climate change.

Heading 3a - Freedom, Security and Justice

44. The PDB 2008 requests expenditure in Heading 3a "Freedom, Security and Justice" at EUR 691 million in 2008. This represents an increase of 10.8% on B 2007. All of the operational spending under this MFF heading is foreseen under title 18 - area of freedom, security and justice - of the ABB.
45. The administrative expenditure requested in PDB amounts to EUR 60,2 million for DG JLS from which EUR 55,7 million are classified under Heading 5 of the MFF and EUR 4,6 million (18 01 04) are genuine to policy area 18. This seems to be a rather significant increase compared to Budget 2007, when the administrative expenditure assigned to Title 18 was EUR 51,3 million.
46. The Commission states that following the start-up period in 2007, the year 2008 will be the "first full period of implementation" for the new three general programmes: Solidarity and Management of Migration, Fundamental Rights and Justice, and Security and Safeguarding Liberties. However, the situation concerning the adoption of the legal bases is not fully satisfactory, with some programmes still to be agreed.
47. There are a number of agencies under heading 3a. For FRONTEX, your **rapporteur notes** that another increase from 2007 to 2008 of about EUR 4 million is requested, after an increase of EUR 15,3 million between 2006 and 2007. These increases would appear to be due to the extension of the tasks of FRONTEX, including the fact that 2008 is the first year when Rapid Border Intervention Teams are due to become fully operational. A similar development is being noted for the EUROJUST agency, which benefits from an increase of EUR 1 586 000 in 2008 (PDB 2008 EUR 20,0 million) compared with budget 2007, after an increase of EUR 3 714 000 in Budget 2006.

Heading 3b - Citizenship

48. This sub-hearing also covers public health, consumer protection and civil protection. The global amount of appropriations funding this sub-heading represents EUR 598,5 million in commitment appropriations, and EUR 694,4 million in payment appropriations. The margin is a mere EUR 16,5 million.
49. This PDB 2008 figures show a decrease for the 2008 budget of 7,6% in commitments !appropriation and 4,6% in payment appropriations (compared to B2007). PDB 2008 document I (page 6) notes however that "*this reduction in appropriations... must be seen in the context of the inclusion in the 2007 budget of EUR 24,4 million for the Solidarity Fund, and EUR 87 million for the completion*

of transition measures in Bulgaria and Romania". Therefore, excluding these two instruments, an increase of appropriations will be observed (comparing to B2007) of 11,6% in commitment appropriations, and 4,6% in payment appropriations. According to the PDB2008, the five key expenditure items under this sub-heading will be distributed in the following way:

- Fostering European culture and diversity (EUR 192,966 million)
 - Information society and media (EUR 104,180 million)
 - Decentralised Agencies: *European Centre for Disease Prevention and Control* and *European Food Safety Authority* (EUR 102,600 million)
 - Informing about European policy and better connections with citizens (EUR 88,630 million)
 - Ensuring access to basic goods and services (EUR 72,500 million)
50. The objective concerning Fostering European culture and diversity receives the most important allowance in this heading. Three programmes aim to support the main objective of fostering mutual understanding and shared European identity by developing links in the fields of culture, youth and citizenship. Youth in Action (EUR 123,40 millions) aims at promoting active citizenship among the youth and encouraging networking between youth workers and NGOs. Culture 2007-2013 (EUR 48,79 million) dedicated to MS and candidate countries follows three specific objectives: Promotion of mobility of those working in the cultural sector; encouraging circulation of art-work; intercultural dialogue.
51. Citizens for Europe programme (EUR 29,48 million, commitments) includes support to civil society and a variety of organisations promoting European interest, as well as town twinning. Media 2007 programme (EUR 103,18 million, commitments), in the policy area Information Society and Media, aims to preserve and enhance European diversity and its cinematographic and audiovisual heritage.
52. The objective of the communication and information policy area is informing about European policy and ensuring better connection with citizens. The PDB2008 requests EUR 201,16 million under this heading. The importance of communication policy was highlighted by a recent hearing in the Committee on Budgets at which members discussed at considerable length the relative importance of a local or a supra-national strategy, and the appropriate level of institutional independence as regards communicating with citizens.

Heading 4 - The EU as a global partner

53. Commitment appropriations are proposed at EUR 6, 9 billion compared to EUR 6, 8 billion in B2007 (+1, 5 %). Payments are budgeted at EUR 7, 9 billion, an increase of 7, 7%. A considerable margin of EUR 329, 9 million (about 5% of the

heading) is left under the ceiling. This is an artificially high margin as the Commission has already announced that appropriations such as for Kosovo and Palestine might be required at higher levels than budgeted in the PDB. It is, however, the Commission's intention at this stage that most or the entire margin could be used for this purpose. The rapporteur cannot of course endorse any pre-assigned use of the margin in that sense.

54. It should be noted that EUR 200 million of the margin is available because the Guarantee Fund for external third country loans will not need to be provisioned from the budget in 2008. Although this additional space does exist in 2008, some care should be taken as an expenditure post of EUR 200 million (compulsory expenditure) will come back for 2009.
55. The Commission states in the PDB that administrative support expenditure (ex. "BA.lines") have been cut by 5% due to under-execution in previous years and that EUR 23,3 million have been added to the operational programmes. The rapporteur would like more precise data as to the reductions/additions for each programme. In this connection he would stress that other administrative expenditure seems to have increased in some areas.

External relations

56. This area as a whole receives EUR 3, 7 billion in commitments (+ 3, 76 %). Areas receiving a higher than average increase are the Common Foreign and Security Policy (CFSP) (+25, 6%) where the PDB proposes EUR 200 million (160m in 2007). Also, the somewhat less well-known (newer) chapter of Crisis response and global threats to security receives a very high increase of + 20% albeit from modest amounts (up to EUR 249, 6 million from EUR 209 million in 2007). Such high increases need to be looked at carefully, especially as the margin is somewhat artificial and, as far as the rapporteur is aware, this is not a co-decided area with fixed envelopes.
57. Democracy and Human Rights sees an increase of + 4, 1 % at EUR 137 million. Neighbourhood Policy is blessed with a modest increase of + 2, 3 % overall (at EUR 1, 46 billion) as is relations with Latin America at + 1, 1 % (EUR 342 million). Asia is slightly down at EUR 807 million (- 2,05%) which may reflect changed budgetary forecasts for Iraq and/or Afghanistan?

Trade

58. Overall commitments are proposed at EUR 77 million (+ 8%). The reason for this small amount is that, in monetary terms, trade-related assistance is mainstreamed under the geographical instruments. The precise amount of trade-related assistance foreseen by the Commission should be set out more clearly in line with

commitments given in multilateral fora.

Development and relations with ACP states

59. This area increases by 4, 6 % to EUR 1, 3 billion in the PDB (1, 24 billion in B2007). The main increases relates to Environment and sustainable management of natural resources, including energy which has risen from EUR 82 million to 101 million (+22, 3%). There is also an increase of + 9, 3 % in food security which would receive EUR 216 million (compared to EUR 198 million in 2007).
60. Non-state actors see a modest increase of + 2, 5 % at EUR 213 million as does Human and Social Development at EUR 120 million (+ 2, 3 %).

Enlargement

61. The policy area as a whole decreases slightly from EUR 1, 06 to 1, 03 billion (-2, 6 %). However, the main instrument being implemented here, the IPA (Instrument for pre-accession) is being proposed at EUR 1, 38 billion overall with the reminder being implemented in other policy areas. Assistance is available to both candidate and potential candidate countries.
62. Key elements are the continuation of accession negotiations with Croatia and Turkey (candidates), the preparation of FYROM as a potential candidate and, also, further cooperation with the Balkans under the stabilisation and association process. The rapporteur notes that, again, it is not easy when first assessing the PDB to discern individual amounts for different countries. Some consideration could probably be given to increasing transparency.

Heading 5 - Administration

63. The PDB presents for 2008 a budget of EUR 7 336 million, which leaves a margin of EUR 121.2 million once staff pension fund contributions have been taken into account (EUR 77 million for 2008). The margin left at this stage of the procedure is 7.61% higher than last year at the same period and this, despite the substantial increase of the pensions (+10.2%) and of the European schools (+11.1%). The margin is calculated on a technical update of the fifth report of the Secretaries-General on heading 5 (May 2006) and on the hypothesis that the Parliament's budget would reach the 20% of the heading 5 ceiling.
64. The Commission's administrative budget for 2008 is estimated at EUR 4 610,7

million with pensions including the cost of European Schools. This represents an increase of 5.62% compared to B2007 which significantly exceeds the average increase of this heading in the PDB (+ 3.88 % in 2007) in recent years. Most of increase in the overall administrative budget is linked to recruitment for new posts required for increased tasks linked to enlargement.

65. 860 new posts, of which 785 represent a net increase relative to the B2007 establishment plan, are requested to that end: 610 for EU-10 and 250 for EU-2. The request corresponds to the multiannual plan submitted to the budgetary authority for the period 2003-2008 and confirmed in the screening exercise on "planning and optimising Commission human resources to serve EU priorities", published on 24 April 2007. The rapporteur notes this report which is a response to Parliament's request made in the 2007 Budget. However, in the rapporteur's view, it raises a number of questions whose impact should be analysed in a wider context of European governance: proportion of overhead including non official staff; link with the regulatory and executive agencies; de-centralised and de-concentrated management; outsourcing, contracted staff and so on.
66. Apart from the request of new posts related to the enlargement, the Commission confirms its willingness to cover the other needs exclusively by redeployment which will be made according to the priorities defined by the Parliament the previous year and the Commission in its legislative and work programme. The estimated number of internal redeployment is 287 which is in line with the target of 1% of redeployment fixed by the Commission. The counterpart of the strategy of covering the non-enlargement-related tasks exclusively by redeployment is a considerable increase of the external staff for which requested appropriations rise from EUR 295,73 million to EUR 315,23 million (i.e. 6.59%).
67. The reinforcement of the security in the buildings of the Commission in Brussels and in the delegations is for the second year requested to grow by 9%. This falls under a four years plan which, according to the Commission, should, in future, generate significant savings in insurance and security personnel costs. The Commission should clarify its plans and quantify the mid term expected savings.

Heading 6 - Compensation

68. This heading covers two facilities agreed with Bulgaria and Romania in the accession negotiations: While the Cash Flow facility aims at improving cash-flow in the national budgets, the Schengen Facility is intended as a temporary instrument to finance control actions at the new external borders of the Union. The amount to be budgeted in 2008 is EUR 206,6 million, leaving a margin under the MFF of EUR 0,4 million.

Agencies

69. PDB 2008 includes appropriations for 25 decentralised agencies for a total amount of EUR 524,0 million which is an increase of nearly 19 % as compared to the agencies' subsidies of EUR 441,8 million in 2007. Nearly two thirds, or 62 %, of the total of the agencies' subsidies are allocated to Titles 1 + 2 - *Staff and administrative expenditure* while only 38 % are used to cover their operational expenditure (Title 3).
70. The biggest bulk of expenditure on decentralised agencies falls under Heading 1 of the MFF where around 51 % of the total agencies' budget for 2008 is concentrated. 38 % of the total amount is planned for agencies under Heading 3, whereas Heading 2 with 7 % and Heading 4 with 3 % only receive minor shares.
71. It has to be noted that the growth rates of the decentralised agencies' budgets and staff are way beyond the general growth rates of the EU budget: While the overall increase of PDB 2008 compared to the 2007 budget is 2 % in commitment appropriations and 3 % in staff numbers, the agencies' subsidies grow by 19 % and their staff by 10 %.
72. The executive agencies that have been set up to implement certain programmes and that are fully financed from the respective operational programme envelopes, also have a substantial rate of increase for 2008, as compared to 2007, of 18 % for their overall budgets and their staff numbers.
73. The fact that, also in 2008, all staff and administrative expenditure of decentralised agencies as well as the full costs of the executive agencies, which are purely administrative by nature, will be financed from the operational headings of the MFF decreases the margins in Headings 1, 2, 3 and 4 by a total of EUR 385 million⁴⁸. In other words, moving staff costs and administrative expenditure for the agencies (decentralised and executive) to Heading 5 would improve the margin available in 2008 in Heading 1a by EUR 206 million (from EUR 77 million to 283 million), in Heading 2 by EUR 25 million, in Heading 3a by EUR 51 million (from EUR 56 million to EUR 107 million), in Heading 3b by EUR 86 million (from EUR 17 million to EUR 103 million) and in Heading 4 by EUR 17 million.
74. Given the PDB 2008 margin of EUR 121 million in Heading 5, such a manoeuvre would lead to surpassing the ceiling of this MFF category by EUR 264 million but would, at least, allow for establishing the real share of the EU's administrative

⁴⁸ EUR 312 million as the total figure for all subsidies to Titles 1 + 2 of the decentralised agencies plus EUR 73 million as the total cost of all executive agencies in 2008.

expenditure in a transparent way.

75. If the current outsourcing tendency of the European Commission is not accompanied by a corresponding reduction in staff numbers in the parent DG of the Commission proper, an ever increasing share of the Union's operational funds will be spent for administrative purposes in addition to the existing, though modest, growth rate of the correctly labelled Heading 5 expenditure. The agencies' figures in the PDB 2008 clearly reflect this development.

Pilot projects and preparatory actions

76. The very low level of margins available, in particular under headings 1a , 3a , 3b and 4 of the MFF reduce the scope for Parliament to finance pilot projects and preparatory actions (which are budgeted as "pour mémoire", or p.m., in the PDB 2008 such that any commitments voted by Parliament count against the margins).
77. In line with his recent working document with the 2007 general budget rapporteur, your rapporteur has proposed a number of areas in which Parliament may come forward with ideas for new pilot project and preparatory actions during the course of the 2008 budget procedure. However, he recalls the limitations that Parliament's internal timetable for preparing its first reading amendments (with deadlines in September) places upon its capacity to meet the 15 June deadline for presentation of ideas for the coming budget procedure in annex II of the 17 May 2006 IIA.

Working document on "Structural Funds" - state of implementation

1. Introduction

This Working Document focuses on the state of implementation of the structural intervention (mainly 2000-2006 programmes and state of play of the implementation so far in 2007). The information compiled in this Working Document will be of special interest for this year's budgetary procedure. Special emphasis is put on the RAL ("reste à liquider") and the implementation by EUR-10. The overall figures on structural interventions mentioned in this Working Document also include the European Fisheries Fund (EFF) and rural development (EAFRD and EAGGF) under Heading 2 (Natural Resources)⁴⁹.

However, more detailed information is provided for structural action under heading 1 b (cohesion).

2. Implementation of payments in 2006

2.1. Payments on programmes for the 2000-2006 period

The available appropriations amounted to €29.2 billion. The payments fell short of the voted budget by €2.8 billion (after Amending budget n°6 the amount left unpaid was €0.1 billion).

a) Execution of EU-15 programmes

Payments from the EU-15 programmes amounted to €26 027 million (innovative actions and technical assistance excluded).

Table 1 compares actual execution with the assumptions implicit in the initial Financial Perspectives for the period⁵⁰. It shows that the gap between the original expectations for payments concerning the 2000-2006 programmes and actual implementation increased to €4.1 billion, some €1.9 billion more than in 2005. It is remarkable though that if the payments to Spain and the UK had continued in 2006 at the normal pace, the gap between the expectations in the financial perspectives and the actual payments would have decreased for the first time in the period. The cumulative "backlog" of payments from the years 2000 to 2006 is €29.6 billion.

⁴⁹) The source of all tables included in this Working Document is the European Commission.

⁵⁰) Commission Communication COM(2002)528

Table 1: Comparison between assumptions in the financial perspectives and budget outturn, EU-15

€ billion	2000	2001	2002	2003	2004	2005	2006	TOTAL
Financial Perspectives	9,2	19,6	25,6	27,6	30,2	30,2	30,2	172,6
-of which, payments on account	8,0	6,0	0,0	0,0	0,0	0,0	0,0	14,0
-of which, reimbursements	1,2	13,6	25,6	27,6	30,2	30,2	30,2	158,6
Outturn	5,9	14,7	19,2	22,7	26,4	28,0	26,1	143,0
-of which, payments on account	5,9	7,7	0,4	0,0	0,0	0,0	0,0	14,0
-of which, reimbursements	0,0	7,0	18,8	22,7	26,4	28,0	26,1	129,0
Differences vis-à-vis FP	-3,3	-4,9	-6,4	-4,9	-3,8	-2,2	-4,1	-29,6
-of which, payments on account	-2,1	1,7	0,4	0,0	0,0	0,0	0,0	0,0
-of which, reimbursements	-1,2	-6,6	-6,8	-4,9	-3,8	-2,2	-4,1	-29,6

b) Execution of EU-10 programmes

All the payments, €2 966 million, from the EU-10 programmes (INTERREG programmes, innovative actions and technical assistance excluded) consisted of reimbursements of expenditure. The outturn was around €0.3 billion below the respective envelope agreed by the European Council of Copenhagen, but the gap was much smaller than in 2005, when the disappointingly low execution of interim payments led to a difference of €1.4 billion between the "Copenhagen" expectations and the actual payments. Actual execution has also trailed behind initial expectations for the EU-15 programmes at the beginning of the 2000-2006 period, but the gap was more pronounced for EU-10. The cumulative backlog of payments (relative to the "Copenhagen" expectations) from years 2004-2006 was €1.8 billion.

Table 2: Comparison between assumptions in the financial perspectives and budget outturn, EU-10

€ billion	2004	2005	2006	TOTAL
Financial Perspectives	1,6	3,0	3,3	7,9
-of which, payments on account	1,5	0,9	0,0	2,4
-of which, reimbursements	0,1	2,1	3,3	5,5
Outturn	1,5	1,6	3,0	6,1
-of which, payments on account	1,5	0,9	0,0	2,4
-of which, reimbursements	0,0	0,7	3,0	3,7
Differences vis-à-vis FP	-0,1	-1,4	-0,3	-1,8
-of which, payments on account	0,0	0,0	0,0	0,0
-of which, reimbursements	-0,1	-1,4	-0,3	-1,8

2.2 Payments on old programmes

The follow-up of pre-2000 programmes should certainly be finished as soon as possible. The bulk of the final payments has already been carried out, and consequently the RAL is quite low. The payments made concern programmes for which additional information has been required to the national authorities or programmes whose closure had been delayed

due to ongoing legal procedures. The closure payments in 2006 amounted to €254 million. The cap between the initial budget of €140 million and the actual execution was covered by transfers from the 2000-2006 budget lines.

2.3. Transfers made in 2006

The above-mentioned figures are only one part of the truth: apart from the voted budget and the Amending budgets, one has to take into account as well all the transfers made in 2006 in order to get a full picture of the implementation in 2006. This makes the whole procedure rather in-transparent and makes it difficult to follow closely the correct implementation of the budget.

The EAGGF received a reinforcement of €220.11 million in payment appropriations in the Global Transfer.

Two transfer requests were sent for information to the Budgetary Authority. They concerned transfers between chapters of the budget lines for administrative expenditure for the ESF (€211.094, payment appropriations) and FIFG (€200.000, commitment and payment appropriations).

A large number of transfers were made by the Commission itself under its own prerogatives established in the Financial Regulation. According to the Commission the transfers of payment appropriations were required to adapt the budget to the different pace of execution across funds and budget lines.

2.4. End-of-year concentration of payments in 2006

In the Structural Funds most of the commitments are made at the beginning of the year but payments are concentrated at the end of the year. The Structural Funds Regulation invites the Member States to group their payment applications in three batches over the year with the last one to be sent by 31 October. However, the Commission continues to receive significant amounts of payment claims after the regulatory deadline.

2.5. Implementation by Member States (see as well chapter 5 on RAL)

Since 2003, the absolute amount of outstanding commitments (RAL) for some Member States has decreased, but this is not the rule and it is essentially explained by faster closure of the pre-2000 programmes for some countries. In 2006, only two Member States, the United Kingdom (€572 million) and Ireland (€99 million) reduced the RAL, i.e. payments exceeded the commitments. The five biggest beneficiaries, in ranking order, Spain (accounting for almost ¼ of total payments), Germany, Italy, Portugal and Greece, absorb over 70% of all payments.

As can be expected after an implementation period of only three years against the seven years of the EU-15, none of the new Member States were among the biggest beneficiaries from the Structural Funds. Overall, 39% of the amounts committed have been paid to the EU-10. The biggest beneficiary was Poland with payments representing over half of all the payments made to the EU-10.

As for 2007, both commitments and payments are forecast to be concentrated in the last months of the year, with a clear peak in December. Further and unforeseen delays, even minor, could therefore have a major impact on overall implementation in 2007.

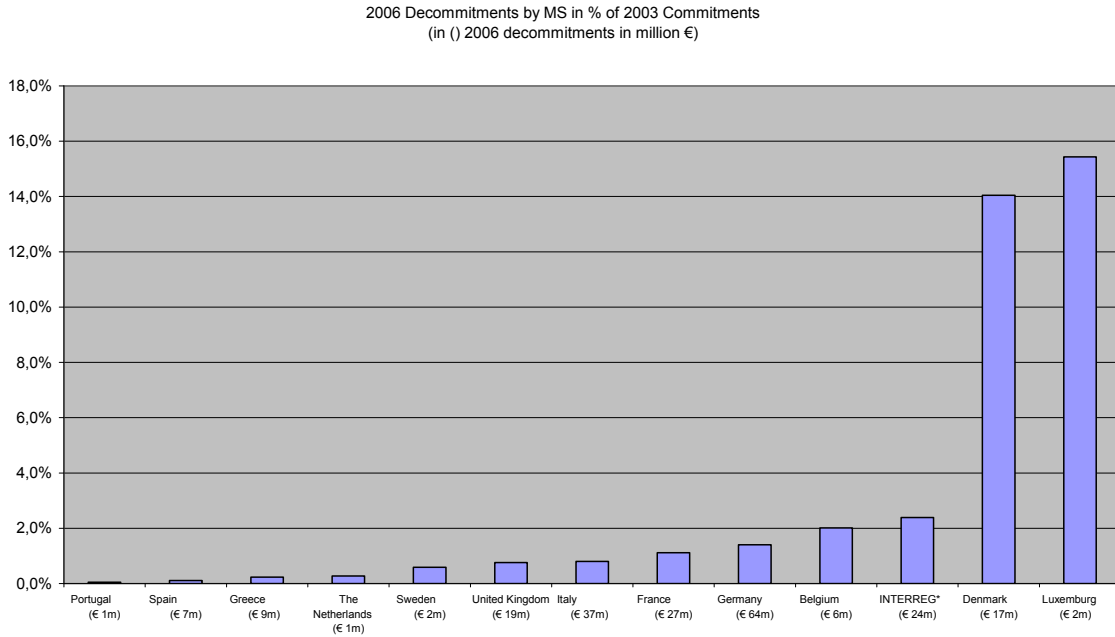
3. N+2 Decommitments

Table 3 below shows the relative importance of the N+2 de-commitments made in 2006 in terms of the corresponding 2003 commitment tranche for each Member State.

According to the Commission, this is arguably a better indicator of each Member State's performance than the absolute amount of the de-commitments because the annual commitments vary significantly amongst Member States.

Luxembourg is the country that lost the largest part of its 2003 allocation (€ 2.2 million, i.e. 15% of the corresponding commitments made in 2003), even if it was the first year when de-commitments were made for programmes of this Member State. Denmark also had high de-commitments (14%). The de-commitments for INTERREG (2.4%), Belgium (2%), Germany (1.4%) and France (1.1%) are also noteworthy. De-commitments were made for seven other Member States, but in each case they accounted for less than 1% of the respective commitment tranches.

Table 3: N+2 de-commitments per Member State in 2006 and in relation to 2003 commitments



* INTERREG is multi-country

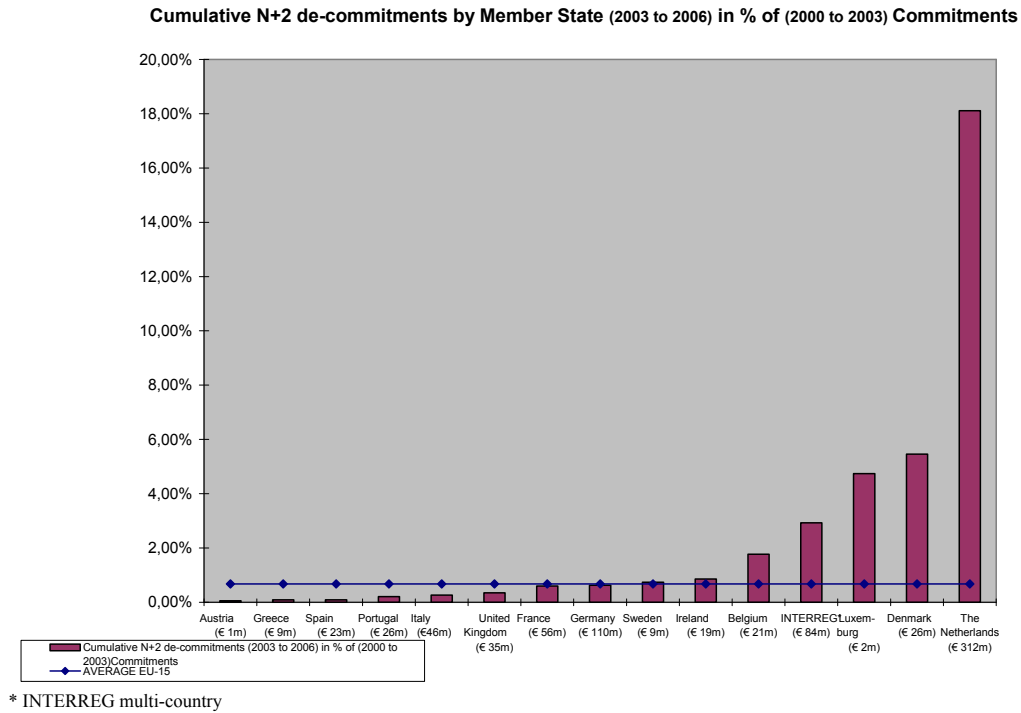
The lower the part of the commitments that is lost over time, the more successful is a Member State/Fund/Objective in actually making use of the respective financial allocation of the period 2000-2006. The corresponding performance indicator is the share of total accumulated de-commitments in the value of all the commitment tranches (from 2000 up to 2003) that have so far been subject to n+2 de-commitments.

By Member State, the Netherlands, Denmark and Luxembourg, Interreg (multi-country), Belgium, Ireland and Sweden all have de-commitments higher than the average, which is 0,68 %. Nevertheless, the Netherlands stands out as de-commitments for this Member State are several orders of magnitude above the others⁵¹.

By Funds, the ERDF and the EAGGF have lower-than-average de-commitments. For objectives, this is true for both objectives 1 and 2, all other objectives/initiatives having above-average de-commitments.

⁵¹ The Dutch de-commitments are mainly linked to a slow start of ESF-funded programmes

Table 4: Relative significance of the cumulative de-commitments up to the end of 2006, by Member State



4. Outstanding commitments (RAL)

4.1. Status quo of RAL - an issue of concern

On 5 July 2007, the outstanding commitments amounted to €92 693 million (!!). Most of them (more than €65 billion relate to objective 1 projects). Note that this figure does not include any RAL from pre-2000 (which amounted to €923 million end of 2006). According to the Commission the relatively high stock of outstanding commitments (RAL) is a consequence of the regulatory framework. The Commission considers a RAL close to two years of commitments as a normal pattern. However, at present RAL is already approaching the magnitude of three years of commitments. Furthermore, your rapporteurs question if RAL amounting to two years' commitment can really be regarded as "normal. Your rapporteurs would therefore urge Commission and Member States to make progress on this issue.

Table 5 and 6 show the evolution of the overall RAL for the Structural Funds (all programming periods combined) since 1994. The analysis of outstanding commitments includes all the Structural Funds commitments classified under the Policy areas 04 (Employment and Social affairs), 05 (Agriculture and Rural Development), 11 (Fisheries) and 13 (Regional Policy).

Table 5: Implementation of commitments and payments and outstanding commitments at the end of each year (€ million)

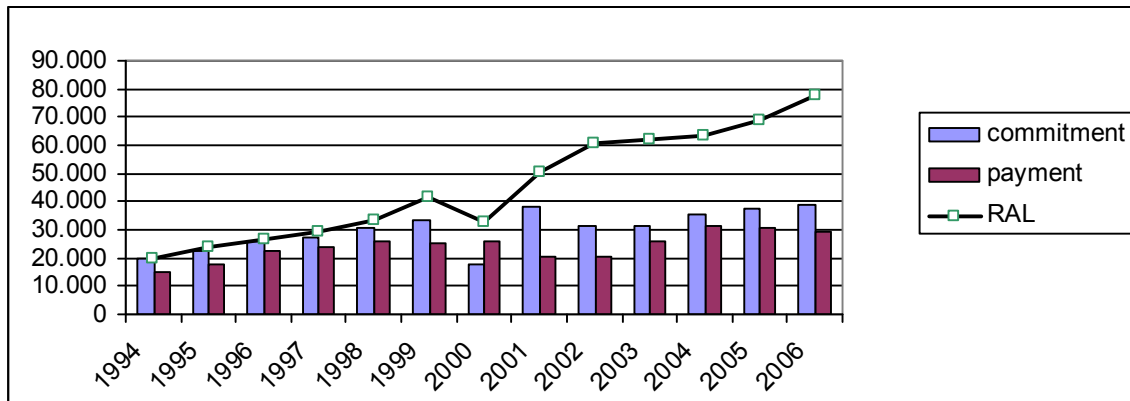
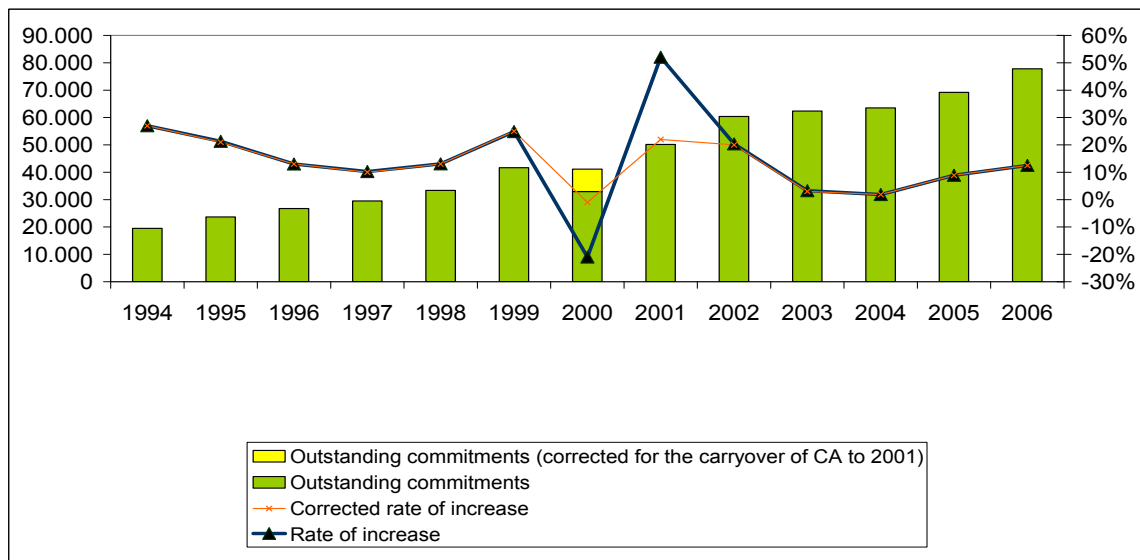
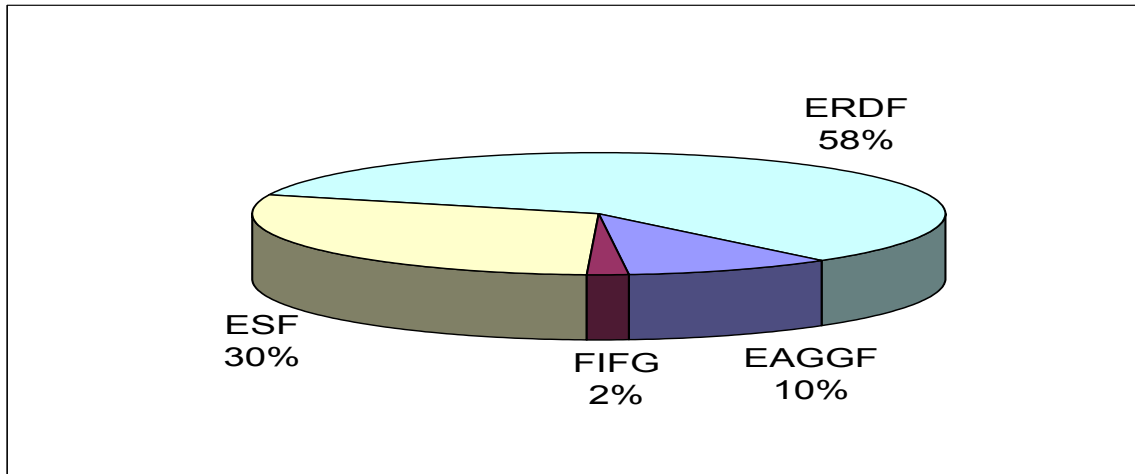


Table 6: Outstanding commitments at the end of the year in million € (left scale) and rate of increase (right scale)



According to the Commission, the increase of the RAL in 2006 is due to two factors. Firstly, still relatively low levels of execution for EU-10 programmes, combined with the fact that all advance payments for these programmes were made in 2004 and 2005. Secondly, atypically low payments to Spain.

Table 7: Outstanding commitments by fund at the end of 2006 (in percentage of the total amount)



In 2006 Italy and Spain were the Member States with the highest RAL, followed by Greece and Germany. The pre-2000 RAL is no longer significant for any Member State. If Member States executed programmes at roughly comparable speeds, their RAL should be proportional to their share in commitments made. Discrepancies between the two rankings arise because some Member States execute faster than others.

In relative terms, the highest increase in the RAL was for EU-10 programmes (over 50%), while the RAL for EU-15 programmes increased by less than 10%. Consequently, the EU-10 share in total RAL increased to 12% in 2006, from 8% in 2005.

4.2. Forecast for 2007

According to the recent Information Note on the Budget Forecast Alert the Commission identifies payments on outstanding commitments (RAL) for structural interventions (in large part DG REGIO) as one area of concern.

Currently implementation of payments for the Structural Interventions is almost EUR 1 billion behind forecast, due mainly to late submission of invoices and suspended payments. The overall end-year result for the EU Budget depends largely on this area.

The Commission gives is the following detailed information on the different funds:

ERDF: ERDF Objective 2 (-€ 250m) and to a lesser extent Urban (-€ 20m) have seen fewer payments than expected due to a Commission decision to suspend payments to England. Progress depends on England's ability to meet the requirements. DG REGIO at this stage expects full-implementation at year-end.

Cohesion Fund: the current difference from forecast (-€ 400m) should be reduced following payment claims received recently from Greece. In general, three countries (Poland, Hungary, Czech Republic) are currently significantly behind their own forecasts. In the case of Poland, payment requests for the Cohesion Fund tend to be submitted towards the end of the year. The year 2007 fits into this pattern, and payment claims are expected to be received from September onwards. For Hungary, a reorganisation of the implementing structure of the transport sector might have slowed down payment requests. Finally, the Ministry of Transport of the Czech Republic has had major problems to adjust to a change in the financial flows system in the country, and therefore no payment requests have been sent yet for transport projects for the Cohesion Fund this year. DG REGIO at this stage still expects full implementation at year-end.

ESF: overall implementation is more or less in line with forecast, with ESF Objective 1 (+ € 129m) slightly above forecast and ESF Objective 3 (-€ 166m) slightly below forecast. The latter results partly from blocked payments to the Netherlands, awaiting the results of national audit checks following a negative Commission audit. DG EMPL considers it too early to draw conclusions on year-end implementation.

Rural development: as regards EAGGF/Guidance, the key payment issue relates to the EU-25 Objective 1 programmes (-€ 235m). The EAGGF/Guarantee line for EU-IO is currently significantly ahead of forecast (+ € 485m), mainly due to the fact that an important payment claim from Poland has been received earlier than expected. DG AGRI at this stage expects full implementation at year-end for the appropriations for rural development.

5. Start-up of new multiannual programmes (2007-2013)

According to the Commission (recent information on Budget Forecast Alert by DG Budget) the start-up of the new programmes concerning structural interventions is still not fully implemented, yet. The Commission has recently made a comparison with the start-up phase of the 2000-2006 programmes.

The start-up of the new Structural Interventions programmes depends essentially on the timely submission by the Member States of good quality operational programmes, and their subsequent adoption by the Commission.

For the European Regional Development Fund (ERDF) and the European Social Fund (ESF) under Heading IB (Cohesion), the process of negotiating new programmes is well underway.

- Some commitments for both ERDF and ESF have already been made, ahead of schedule. Most of the operational programmes are expected to be adopted in September and October, which should leave enough time to make the corresponding advance payments before year-end as planned. Risks are however that programmes are not satisfactory (in terms of content) and need revising, which would lead to delays.
- As compared to 2000, the start-up of new programmes should nonetheless be smoother, as all the Regulations were in place in 2006 (as compared especially to the 2000 -2006 Objective 2 Regulation, which was only adopted late in 2000). Furthermore, the Cohesion Fund is now programmed along with the Structural Funds, as Cohesion Fund projects are incorporated into operational programmes. This allows for earlier commitments (and advance payments). As regards the Rural (EAFRD) and the European Fisheries Fund (EFF) under Heading 2 (Natural Resources), the picture is currently as follows:

DG AGRI received programmes for a part of the envelope for the period, and the first programmes were expected to be adopted in June. However, according to the information received by your rapporteurs only 2 programmes out of the expected 94 programmes have been approved so far. This is a very poor performance bearing in mind that rural development policy is one of the priorities when dealing with the structural operations under the new financial perspectives. Also some Member States have not sent their programmes for approval, yet. The current state of play seems to be unacceptable because the programming period started 8 months ago (see Joint Statement of Council and Parliament which was agreed at the conciliation meeting of 13 July 2007 - according to this declaration the EP will monitor rigorously the approval of operational programmes).

In the framework on the reform of the CAP direct payments have been modulated in order to get more money for rural development. This project has to be in place as soon as possible. In this respect the Commission has a clear responsibility for a timely implementation and a smooth execution of rural development policy.

- EFF: DG FISH signals a risk that operational programmes (one per Member State) will be delayed for some Member States. Contrary to the other Structural Funds, the EFF Regulation does not impose deadlines for submitting operational programmes. To date only a few Member States have submitted their operational programmes, for relatively small amounts compared to the total EFF envelope. DG FISH expects to the larger operational programmes by end-July. A state of play by mid September should provide a better picture of possible risks.

6. Member States' payments' forecasts for 2008

The Commission has requested Member States to provide the payment forecasts for 2008 by 30 April 2007. COBU has asked for this information as it will be crucial for the 2008 budgetary procedure in relation to the payments level. Several Member States provided the information belatedly; others have still to provide the forecasts for several programmes. In consequence, at this stage the Commission is not yet in a position to give a consolidated view of the forecasts. In particular, it is not possible to have a summary of the forecast for the new 2007-2013 programmes yet. For the 2000-2006 programmes, the situation is a little better, 85% of the forecast for the Structural Fund programmes have been provided and verified, though only 50% of the forecasts for INTERREG programmes have been sent. For the pre-2007 projects of the Cohesion Fund, information is missing for 3 Member States.

However, the Commission could give a consolidated view of the information received and verified so far, on the basis of the following assumptions:

- For the 2007-2013 programmes, the Commission assumes that forecasts are equal to the PDB
- For the programmes and projects of the period 2000-2006, the Commission assumes that the missing forecasts are equal to the forecasts provided for the 2006 payment claims.

Under these assumptions, the Commission gives a comparison of Member States' payment forecasts for 2008 with PDB 2008 in the following table 20:

million euros	MS payment forecasts (1)	PDB 2008 (2)	Difference (%) (3) = [(1)-(2)]/(2)
Pre-2007 Structural Funds programmes (1)	27,110.1	16,451.0	65%
Pre-2007 Cohesion Fund projects	4,168.0	1,936.7	115%
2007-2013 Structural and Cohesion Fund programmes	24,267.9	24,267.9	0%
Total	55,546.0	42,655.7	30%
(1) includes EAGGF-Guidance and FIGG			

Source: European Commission

Member States' payment forecasts, computed as above, exceed the PDB by 30 % or almost EUR 13 billion. To put this into context, it should be noted that the forecasts have typically been over-optimistic, exceeding actual execution by over 20%. In

2006, the forecasts over-estimated execution by 33% or EUR 9.6 billion. According to the Commission The estimation errors implicit in Member States' forecasts have always been above EUR 6 billion.

It should also be pointed out that in December 2006 there was a shortage in payments appropriations for the Structural Funds which amounted to 500 million.

7. Conclusions - TIME IS MONEY!

The following urgent and immediate steps must be undertaken in order to avoid further delays in the implementation of the 2007-2013 programmes and in order to avoid as much as possible the repetition of the problems experienced with the 2000-2006 programmes:

- 1.) **The next most urgent steps ahead will clearly be the finalisation of operational programmes. On 17 August not more than 61 out of 314 operational programmes for the ERDF and the Cohesion Fund were adopted, the adoption of most of them by the Commission was still missing (see table 8 below). Special attention should be attached to rural development programmes because they are clearly lagging behind schedule.**

An important step forward in this direction was the adoption of the following JOINT STATEMENT of Council and Parliament which was agreed at the conciliation meeting on 13 July 2007:

Structural and Cohesion Funds and Rural Development 2007-2013 programmes

*"The European Parliament and the Council attach the greatest importance to a **rapid approval by the Commission of the operational programmes and projects presented by Member States** in relation with the new Structural and Cohesion Funds programmes for the 2007-2013 period, as well as for programmes financed under rural development. In order to avoid the past experience during the beginning of the 2000-2006 programming period, the European Parliament and the Council will monitor rigorously and on a regular basis the process of approval of operational programmes and projects in view of more efficiency and good administration. To this end, the Commission is requested to continue to provide regularly specific monitoring tools, including a flow chart, during the budgetary procedure."*

In the framework of the budgetary procedure 2008 special attention has to be paid to the adoption of programmes and the reduction of RAL.

- 2.) **The few remaining National Strategic Reference Frameworks (NSRF) should be completed and decided as soon as possible with the greatest urgency.**

- 3.) **Important progress needs to be made on the RAL payments: as mentioned above RAL for Structural Funds stood at nearly EUR 78 billion (!) by the end of 2006. This is quite an impressive amount compared to the overall payments in the PDB for 2008 amount to 121 billion.**
Furthermore, the rapporteurs do not share the Commission's assumption that RAL amounting to two years' commitments can be regarded as "normal".
- 4.) **The delays have shown again that the current procedure is too time consuming and detailed. A better way of executing structural policy has to be examined and developed based on a clear division of responsibilities and respect of competences between the EU and Member States.**

NEW PROGRAMMING PERIOD 2007-2013

State of play 17/08/2007

NSRF: National Strategic Reference Framework
OPs: Operational Programmes

ERDF: European Regional Development Fund
CF: Cohesion Fund
ESF: European Social Fund

Status	Country	Date of reception NSRF by the Commission	Date of decision on NSRF	Number of OPs presented to the Commission / Number of OPs expected		Number of decided OPs		Total allocation by State (millions of euro) *	Link to NSRF
				ERDF and CF	ESF	ERDF and CF	ESF		
Completed NSRF	Bulgarija	16/01/2007	20/06/2007	5/5	2/2			6 853	http://www.eufunds.bg/?cat=2
	België/Belgique	7/02/2007		4/4	6/6			2 258	
Completed NSRF	Ceska Republica	5/03/2007	26/07/2007	14/14	3/3			26 692	http://www.strukturaini-fondy.cz/regionaini-politika/nsrr
Completed NSRF	Danmark	29/11/2006	16/04/2007	1/1	1/1	1	1	613	http://www.ebst.dk/file/5468/Strategisk_referenceramme.pdf
Completed NSRF	Deutschland	23/01/2007	2/05/2007	18/18	18/18	10	6	26 340	http://www.bmwi.de/BMW/Navigation/Europa/EU-Strukturpolitik/nationaler-strategie-rahmenplan-07-13.html
Completed NSRF	Eesti	5/02/2007	13/08/2007	2/2	1/1			3 456	http://www.bmwi.de/BMW/Navigation/Europa/EU-Strukturpolitik/nationaler-strategie-rahmenplan-07-13.html
Completed NSRF	Eire-Ireland	5/03/2007	27/07/2007	2/2	1/1			901	http://www.ndp.ie/docs/NDP_Hompage/1131.htm
Completed NSRF	Ellada	26/01/2007	28/03/2007	10/10	3/4			20 420	http://www.hellasgps.gr/programper4/files/NSRF_VERSION_GR_SFC_260107.pdf
Completed NSRF	España	8/02/2007	7/05/2007	23/23	22/22			35 517	http://www.dgfc.sggp.meh.es/index.jsp
Completed NSRF	France	21/12/2006	4/06/2007	31/31	5/5	7	1	14 319	http://www.dlact.gouv.fr/datar_site/datar_framedef.nsf/webmaster/europe_Actu22092005_vf?OpenDocument
Completed NSRF	Italia	2/03/2007	13/07/2007	26/28	24/24	7		28 812	http://www.dps.mef.gov.it/qsn/qsn.asp
Completed NSRF	Kypros	21/12/2006	7/05/2007	1/1	1/1			640	http://www.planning.gov.cy/planning/planning.nsf/Mainqrk?OpenFrameSet
	Latvija	3/11/2006		2/2	1/1			4 620	
Completed NSRF	Lietuva	12/12/2006	26/04/2007	2/2	2/2	2		6 885	http://ec.europa.eu/regional_policy/atlas2007/lithuania/factsheets/nsrf_it2.doc
	Luxembourg	5/03/2007		1/1	1/1			65	
Completed NSRF	Magyarország	24/11/2006	7/05/2007	13/13	2/2	13		25 307	http://www.nfu.gov.hu/index.nsf?r=8v=8i=8d=8mf=8p=umftlatalom
Completed NSRF	Malta	21/11/2006	20/12/2006	1/1	1/1	1	1	855	http://www.mfin.gov.mt/image.aspx?site=MFIN&ref=NSRF%20-%20English
Completed NSRF	Nederland	18/12/2006	7/05/2007	4/4	1/1	3	1	1 907	http://www.ez.nl/content.jsp?objectId=150809
Completed NSRF	Österreich	31/10/2006	4/04/2007	9/9	2/2	8		1 461	http://www.oerok.gv.at/EU_Regionalpolitik_in_Oesterreich/strukturfonds_2007_2013/strat_at/strat-at_einreichfassung_gem_oerok_20061027.pdf
Completed NSRF	Polska	7/12/2006	7/05/2007	20/20	1/1	1		67 284	http://www.funduszezstrukturalne.gov.pl/NSS/Projekt/
Completed NSRF	Portugal	1/02/2007	28/06/2007	10/10	4/4			21 511	http://www.qren.pt/
Completed NSRF	România	31/01/2007	25/06/2007	5/5	2/2	5		19 668	http://anaf.mfinante.ro/wps/PA_1_1_15H/static/amcscifond_structural/fonduri_structurale/fonduri_Romania/csnr.htm
Completed NSRF	Slovenija	16/02/2007	18/06/2007	2/2	1/1			4 205	http://www.svir.gov.si/si/delovna_področja/področje_evropske_kohezijske_politike/
Completed NSRF	Slovenska Republica	21/12/2007	17/08/2007	9/9	2/2			11 588	http://www.strukturalnefondy.sk/Default.aspx?CatId=72
	Suomi-Finland	2/02/2007		5/5	2/2			1 716	
Completed NSRF	Sverige	5/02/2007	20/07/2007	8/8	1/1	2		1 891	http://www.regeringen.se/sb/d/2498%20and%20http://www.nutek.se/sb/d/1008
Completed NSRF	United Kingdom	11/12/2006	30/07/2007	16/16	6/6	1		10 613	http://www.berr.gov.uk/consultations/page28796.html
	EU Territorial Cooperation			59/70					
	IPA-CBC			4/12					
	IPA			7/7					
	Total			314/335	116/117	61	10	347 410	

* Including Interregional cooperation and networks and technical assistance

PE3

N

Table 9: Commitments and payments from 2000 to 2006 by Member State, all programmes (€ million)

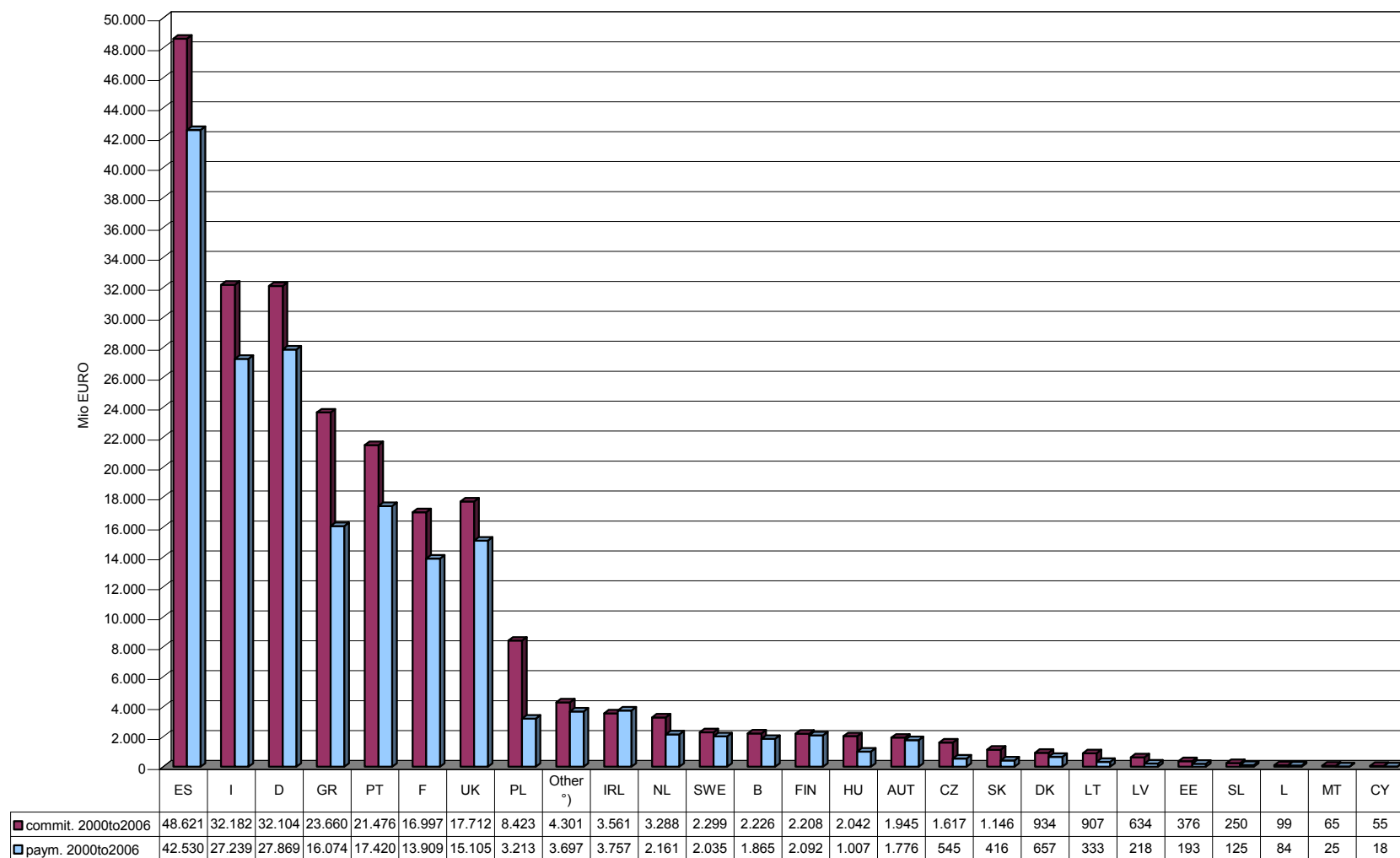


Table 10: Outstanding commitments at the end of 2006 from the 2000-2006 programming period by Member State (million €)

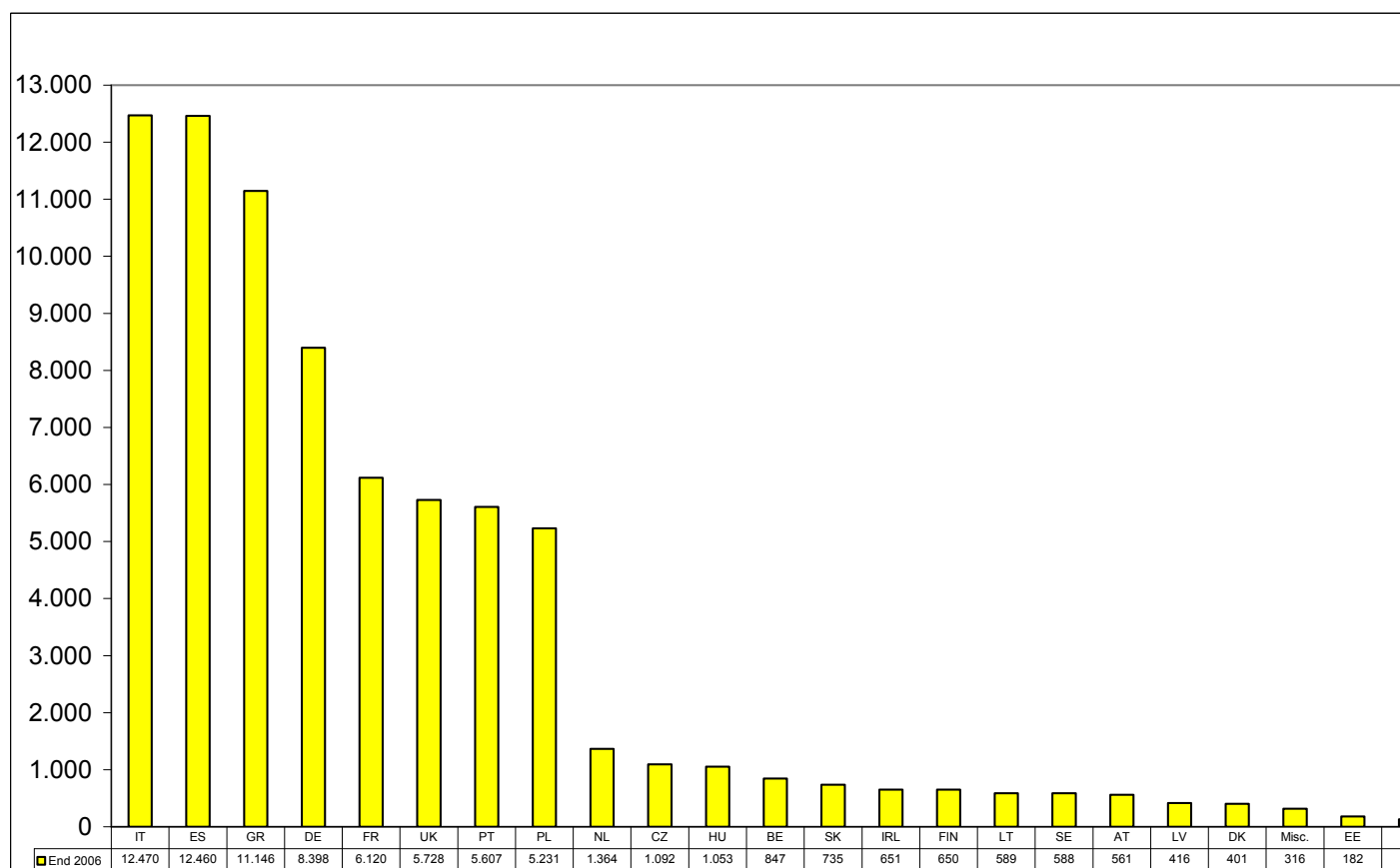


Table 11: Allocation from the Structural Funds to EU-10 for the period 2004-2006, breakdown per Member State (INTERREG, technical assistance and innovative actions which cannot be attributed to a single Member State, excluded)

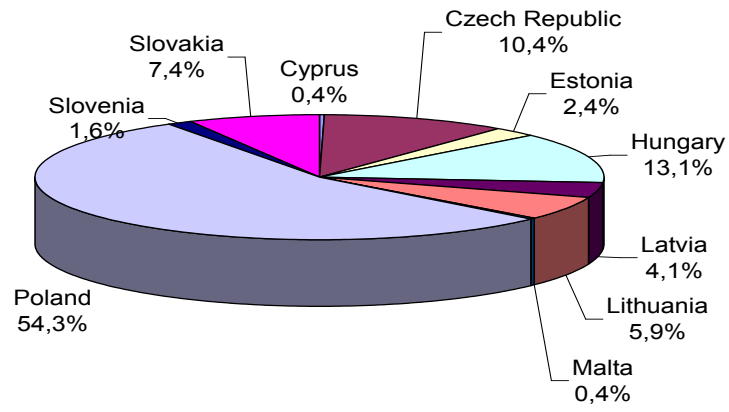
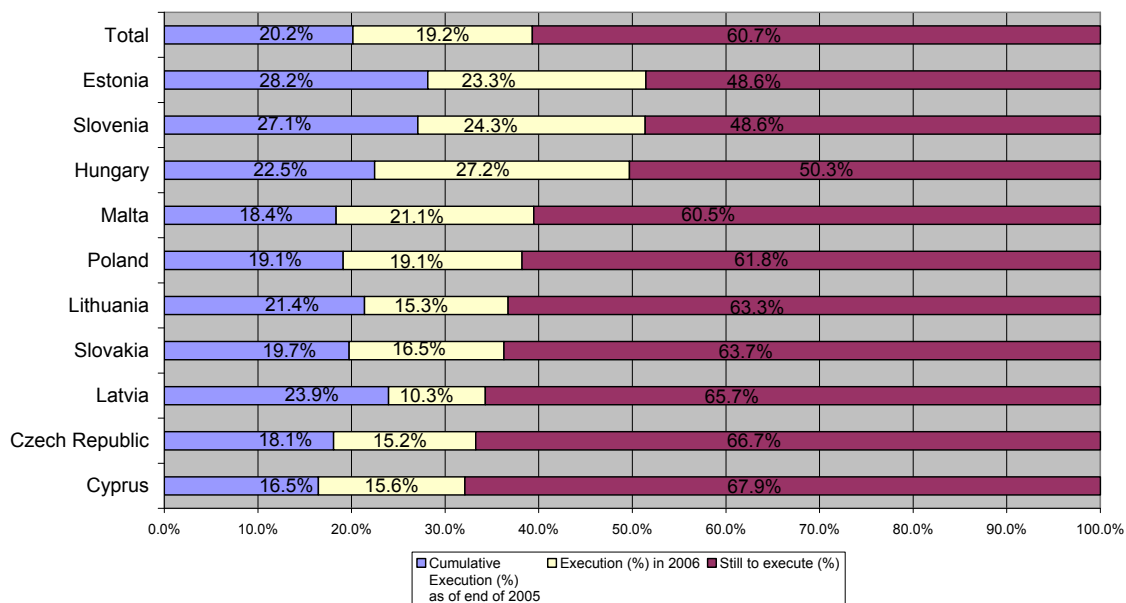


Table 12: Total payments at the end of 2005 and new payments in 2006 by EU-10 Member States (mainstream programmes and Community Initiative EQUAL) compared to the national allocation available for the period 2004-06



All the payments made in 2006 for EU-10 programmes were interim payments, as all the payments on account were made in 2004-2005.

Working document on monitoring groups

Introduction

1. During the 2007 budget procedure, the issue of proper monitoring and implementation of the budget, both in qualitative and quantitative terms, was a cornerstone of the adopted strategy. This was also reflected by the adoption of the Joint Statement to ensure proper budget implementation at the November Conciliation (Annex 1).
2. During 2007, the Budget Committee's approach towards better use of public money and scrutiny of the Commission's implementation of the programmes has also flowed seamlessly into the 2008 procedure as a focus on clear activity based budgeting and management is one key element to achieve better results.
3. One important means of carrying out better budgetary analysis of EU programmes, and to ensure better implementation (in cooperation with both specialised committees and the Commission), is the so-called "Monitoring Groups". Following numerous discussions in the coordinators' meetings of the Budgets Committee, it was decided on 7 May 2007 that a number of these should be organised in 2007 (see Annex 2 for a list of these as well as a summary of their results). It should be recalled that a Monitoring Group, essentially, is a "mini-hearing on budgetary matters" organised in a relatively informal way, inviting the specialised committees concerned, and drawing on the expertise and cooperation of the Commission..
4. At the same meeting, coordinators also endorsed a common approach to the methodology, format and documentation that could be used for such meetings. This included, notably, the need to closely involve specialised committees and, also, to seize the opportunity to examine (link) aspects of the budget being implemented (year N) and the ongoing budget procedure year (N+1).
5. In order to combine aspects of both budget n and n+1, the timing for these meetings would normally be May-July, possibly extending to September, i.e. when the PDB is available and before the EP's 1st reading. With such a timing, the Groups would also be able to take onboard and examine, if so wished by members, certain working documents presented with the PDB (i.e. Activity Statements within the ABB framework) and, also, elements/areas included in the Commission BFA note (Budget Forecast Alert).
6. The general subjects and specific programmes/areas to be examined were subject to a specific decision from the Coordinators. In more detailed operational terms, these subjects were then "delegated" to the general rapporteurs who proceeded to the specific organisation in cooperation with the secretariat.
7. To date (July 2007), the first five Groups have been organised with only the last one (Agriculture) remaining for September.

8. Methodology approved by coordinators

Each meeting could basically cover two parts, i.e. **Implementation 2007 and Outlook for 2008**

Under those headings, the purpose of the discussions could be:

- Effectiveness (are the pursued objectives achieved successfully)?
- How is Commission implementing 2007 appropriations?
- What is being implemented according to plan?
- Which are the problem areas, especially those flagged as part of the BFA?
- Efficiency (is the current set-up the most cost-effective to achieve the policy goals set)?
- Should anything be done to promote complementarity and synergies with other programmes for future years?
- Is there need for better co-ordination of instruments/bodies concerned?
- How are the Parliament's prerogatives taken into account? Also with regards to any PP/PAs and/or remarks adopted in the budget
- What is being proposed in the PDB and, especially if changes asked, how are they justified? (link to Activity Statements presented with the PDB)
- What are the specific requests or concerns of the responsible specialised committees?

Experiences so far and outlook towards the future:

The examination of all the above elements was clearly too ambitious for any one meeting. Rather, and very usefully, questions in writing covering some areas were presented to the Commission as "questions put by the EP" and served both as a useful guide to give substance to the discussion and to request specific information (also in writing).

In order to go into an even deeper examination of the above areas a longer preparation time should be envisaged. This year, extremely short time-limits only allowed the general rapporteurs to develop their own set of questions, drawing on the technical assistance of the secretariat (also including secretariats of specialised committees).

The way forward is perhaps to let this part of preparation remain with the general rapporteurs but, importantly, allow longer time for groups to put down questions and receive formal invitations in good time following the relevant decisions by coordinators to organise such meetings.

Another question that merits some thought is whether the meetings should develop more towards a thorough examination of ABB (activity based budgeting) and ABM (activity based management) aspects on the basis of the Activity Statements that the Commission produces? Or, alternatively, whether the meetings should be kept more "flexible" and simply be based on certain fields of interest and/or questions expressed by the specialised committees and the political groups within the Budgets Committee itself. This of course has the advantage of being more political and topical but, on the other hand, does not necessarily penetrate very deeply into the world of ABB objectives, performance indicators, and measured results. Some

may consider that an advantage rather than a disadvantage.

9. *The format approved by coordinators*

The monitoring group meetings would:

- take place under the joint leadership of 2007 and 2008 general rapporteurs
- be organised with the specialised committee concerned (especially involving budget draftsmen).
- be open to all interested COBU members
- be open also to COCOBU members
- last for approximately 2 hours
- normally be organised in Brussels. (Commission participation...)
- not have interpretation (informal meetings are not covered by the Code of Conduct on Multilingualism). Proceedings would therefore normally take place in EN/FR.
- The Commission will always be associated. Invitations to be sent to both DG BUDG and the specialised DG concerned.
- The appropriate level of invitation could be Director General or Director. Actual participation to be left to the Commission itself as detailed operational knowledge of programmes has proven to be a pre-requisite for successful meetings.

Experiences so far and outlook towards the future:

The current procedure has perhaps been exceptional in that a significant number of meetings (5) had to be organised in a very short time. Although the general remarks from other committees seem positive (clear appreciation of the possibility to put specific questions of interest to a 'concentrated presence of Commission high-level officials' and to have the possibility for further information in writing), things could be further improved by adopting a less stressful calendar for any future years.

This could also allow for an improvement in the background material presented with each group. This year, a standardised "fact-sheet" was provided by the European Commission for the subject in question. This was essentially a copy of already existing Activity Statements provided with the PDB.

It had the merit of the Commission actually assisting very closely in preparing background material for this initiative of the Budgets Committee. It had the disadvantage of being perceived as too technical (perhaps a question of presentation) and, also, that the subject chosen for a Monitoring Group might not necessarily correspond to an ABB "Activity Statement".

The level of participation has been the intended from the Commission's side, i.e. Director General or Director. This has clearly allowed more relevant answers to questions which by

their nature are often more political than technical.

In practical and organisational terms, 1 or 1 ½ hours have turned out to be a suitable duration of meetings in order to keep the debate focussed.

It has proven very useful that the Commission introduces each subject by an overview of the current "state-of-play" although, in some cases, these presentations have been slightly too detailed and difficult to follow for "non-experts".

10. *Documentation approved by the coordinators*

- A background note (type " annotated agenda" should always be prepared
- As and when necessary, technical "fact-sheets" on a specific programme/budget line could also be used to set out implementation figures etc.
- A summary of each meeting should be produced, which could also serve as a "reminder" for possible follow-up in the budget procedure/amendments

Experiences so far and outlook towards the future:

More specific/concentrated agendas have worked best as far as any debate/discussion with the Commission is concerned.

It could be considered to further develop the background material for such groups.

This could possibly be done through adaptation of the fact-sheets prepared by the Commission. At present, there is not much added value in the documents given by the Commission, although they are to be very much welcomed as pure technical assistance.

Another way could be to simply leave more time for developing the questions.

A third way, that could be looked into by coordinators on a case-by-case basis, could possibly be to order a briefing note (internal or external) on a given subject.

The heavy schedule so far has not allowed drawing up immediate summaries of each meeting. Some of the main outcomes are included in this working document for the benefit of all committee members. Also, given that all groups are invited, each party has of course been able to take onboard and note down the information/replies that it considered most useful.

Also, in various cases, the Commission has been asked to submit written replies and information. This has proven to be very useful indeed and such follow-up is transmitted by mail following the meetings.

11. Overall Conclusions:

The monitoring groups have proved to be a very useful tool in the course of the

budgetary procedure and the more structured approach now adopted, especially as concerns the increased involvement of the Commission in the preparations, and of the coordinators in terms of defining the subjects, proved to be constructive.

Reactions from specialised committees and from political groups seem generally positive, with the possible exception of too tight planning and short deadlines for invitations.

The cooperation with other committees could be further strengthened but this is also linked to the preparation time available.

The number of meetings should be reduced to 3 or 4 per budget procedure in order to allow for more thorough preparation and cooperation.

The responsibility to decide on the subjects should remain with the coordinators of political groups, based on proposals from the general rapporteur(s). The selection of subjects should be taken early in the year (May was clearly too late to decide)

The format and documentation for the meetings have worked relatively well although, again, the short time for preparations in 2007 was clearly a disadvantage.

Although a small section of the Budget Forecast Alert "warnings" was always included in the standardised fact-sheet, this aspect/linkage could possibly be strengthened for coming years as far as year N is concerned.

Annex 1.

Joint statement of the European Parliament and the Commission to ensure proper budget implementation (adopted at the 2006 November Budget Conciliation).

In the framework of the budgetary procedure the European Parliament and the Commission emphasise the need for improved value for money in the EU budget and are of the opinion that this concept must be applied on a permanent basis. The aim of this approach is to evaluate and assess the quantitative and qualitative aspects of each EU programme.

In this context, the evaluation of EU programmes should become a major element of concern for the institutions involved in the annual budgetary procedure.

The European Parliament and the Commission recall that Activity-Based Management (ABM) is to offer an integrated view of the performance and cost of the various policy areas including both operational and administrative resources.

The two Institutions agree to take the necessary steps with regard to improving the monitoring of budget implementation through a process using all available information as from January 2007 to which all committees of the European Parliament will be associated. The European Parliament undertakes to make better use of transfers and amending budgets as instruments to scrutinise budget implementation during the year in respect of Parliament's priorities and its inter-institutional prerogatives.

The results of this ongoing process will be the subject of exchange of views in each triologue foreseen in Annex II of the Interinstitutional Agreement of 17 May 2006.

This exercise aims to ensure that policies financed by the EU budget deliver better value for money to European citizens and respond to the challenges which the European Union faces through the best possible allocation of EU funds.

ANNEX 2

Monitoring Groups decided for the 2007/2008 procedures

Research in the field of energy and transport
Common immigration and asylum policies
European Instrument for Democracy and Human Rights (EIDHR) European Neighbourhood instrument Development Policy
Lifelong learning
Innovation Programme (CIP) Encouraging Entrepreneurship/Competitiveness
Agricultural policy strategy and coordination The Environment instruments : NATURA 2000, Life +

Summary of the results

Monitoring Group on research in the field of energy and transport

At the initiative of the members present, the discussion was quite focussed on the question of agencies, administrative costs and, also, Galileo.

The Commission was represented at the level of Directors.

The 2 new Executive Agencies that the Commission envisages for the implementation of FP7 were of concern for members. The Commission had to explain why it cannot take care of this implementation itself. The Commission representatives announced that a proper impact assessment and a cost/benefit analysis will be presented. Members reminded the Commission that FP6 could be implemented by the Commission without any Executive Agency.

On Galileo the Commission admitted that no CA can be spent for the operational phase as long as the legal base (1st reading still pending in Council) is not adopted. It was also interesting to hear that about 40 million/year out of the research budget (mainly FP7) are spent on the development of Galileo.

The Commission confirmed that, following the outcome of the negotiations on the financial perspectives, which included a reduction of appropriations under heading 1a compared to the so-called "Prodi package", the scope of several research projects that had been envisaged had to be reduced or can only be carried out later.

Members suggested that the overall administrative cost of research should be included in the activity statement in order to improve transparency.

It also became clear that so far there is no execution at all of FP7 out of the 2007 budget. According to the Commission the implementation/final wrapping-up of FP5 was in line with the forecast. However, there were delays (1-2 months behind schedule) with FP6 due to internal organisational problems and unforeseen mobility of staff.

Monitoring Group on immigration and asylum policies

The Commission described the situation with regard to the three EU Funds in this area, all managed under the shared management principle. The strategic guidelines were being developed and, subsequently, the Member States would establish the projects on the basis of a Multi-Annual programme.

This process was not quite finished, however, and there was a grave risk that there would be considerable under-utilisation of payments in 2007. For the new Integration Fund, no payments at all would be made in 2007. The legal base for this Fund was not completed yet (UK reserve still remaining to be lifted in the Council).

Following questions from MEPs regarding the European Migration Network, the Commission expressed worry that no legal base exists and stated that they would propose one. Unfortunately, there could be a gap between existing networks and the time when a new legal base could be in place.

On Frontex, the Commission answered that they had indeed identified new "needs" for the 2007 budget and that a proposal for a revised budget was currently being considered by the Management Board. It was not entirely clear how such new "needs" would be translated into possible action (amending budget? transfers?). For 2008, Frontex would still not have the capacity to ensure permanent actions for sea border control and President Barroso had said in Malta that the Commission is considering other actions. Members stated that the Commission needs to be very clear on Frontex.

On SIS II, the Commission stated that the goal was to have it up and running by December 2008 (MS and Commission are currently operating a bridging solution). There are three phases: development, provisional management mode (France+Austria?) and Final management mode.

On VIS, the goal was to have it ready by the first semester of 2009.

Monitoring group on CIP and competitiveness

The Commission was represented at Director-level by the 4 main Commission DGs involved Enterprise, Info, Tren, Ecfm - with supporting officials in each case to cover more detailed issues raised by members during discussion.

- The Commission's initial presentation gave a good overview and the main areas of the programme (and linked well to the accompanying documentation supplied by the Commission):

- enterprise and innovation programme and improving the financial environment for SMEs;
- intelligent energy programme;
- ICT support programme

Summary/ outcomes

- The discussions with members focussed heavily on the real administrative resources needed to run these programmes and in particular the amounts that were not directly visible in the budget either in Heading 5, through the "01 04" lines, or via executive agencies.
- As regards SME lending carried out by the EIF on behalf of the Commission there was an extensive discussion about lines of responsibility and accountability and about the percentage of the operational expenditure paid to the EIF. The Commission was able to provide detailed oral answers about lines of accountability.
- On operational expenditure used for administration, the Commission indicated that whereas under the previous MAP programme the EIF had taken a fee of 9% of the operational expenditure for its lending activities, under the CIP programme the percentage would be around 6%. These amounts were however additional to the stated administrative costs in the accompanying documentation provided by the Commission for the CIP programme as a whole. The Commission said that it would provide more precise information on this matter in writing.
- Members also cited concerns about the continuity of lending to SMEs during the transition from MAP to CIP. The Commission indicated that there would be a short financing gap in summer 2007.
- There was a brief discussion of the extent to which CIP funds might be used to contribute to the EIT project proposed by the Commission, but not yet agreed by Council and Parliament. The Commission officials present thought that the resources foreseen for the CIP programme were already rather tight.

Monitoring Group on EIDHR, Neighbourhood and Development Policy

This Monitoring Group concentrated almost exclusively on the quite extensive list of questions that had been sent to the Commission in advance and, in this way, was perhaps slightly different from the other groups.

The Commission was represented at the level of Director-General (Aidco) and Directors (Relex and Deve), which was positive.

Given the wide scope of this particular meeting, the Commission was asked to provide all answers also in writing in order that a clear record should exist of what was a very useful and interesting exchange. Most of the formal written replies were received about 1 month after the meeting. The Commission had put a lot of work (and, presumably, thought) into preparing them. The answers to some of the most sensitive questions put (on democracy and human rights) are still pending.

Monitoring Group on the Lifelong Learning Programme

The Commission provided a summary of the Lifelong Learning programme, its main objectives and targets for the budgetary exercise for 2008.

The PDB 2008 has proposed a total of EUR 1 008 693 million in commitments and EUR 1 017 092 million in payments for this integrated action Programme. Compared to the 2007 budget, this represents an increase of 8.8% in commitments and 19.2% in payments.

The most significant financial instrument for Community intervention is the Lifelong Learning Programme that encompasses the activities previously supported through the Socrates, Leonardo da Vinci and eLearning programmes.

The most significant increase of expenditure in this activity area has been proposed for the Erasmus Mundus programme; by 63, 5% in CA and 70, 9% in PA.

The implementation of the programmes is under the responsibility of the Commission's DG EAC and of the 3 Agencies:

- European Centre for the Development of Vocation Training (CEDEFOR)
- European Training Foundation and the
- The proposed European Institute of Technology.

At this moment in time, the Commission could not provide much information about the implementation of the budget as the legal basis was only adopted in December 2006. The Commission explained that, as 2008 is the phasing-out year for old programmes and the phasing-in year for new programmes, there could be some difficulties. The integrated approach for actions and the mixed mode of implementation could prevent the smooth implementation of the budget in 2007.

Some other causes of potential delays were identified by the Commission: approval of the working programmes, establishment of a minimum requirement in the work programme, designation of national authorities for the National Agencies, simplification of relations with National Agencies, DAS, merging of a few previous Agencies into one, etc.

More than 80% of the budget is executed through the National Agencies. A three- party partnership: Commission - Executive Agencies - National Agencies was initiated. In view of better implementation and ex ante audit, the National Agencies have been advised of the obligation to provide the DAS (Statement of assurance for the EU funding).

The MEPs present at the meeting mainly raised questions on:

- ✓ the execution of the programmes and how the Commission intended to improve the implementation in a better way
- ✓ Executive and National Agencies and the coordination of their activities by the Commission
- ✓ the DAS
- ✓ beneficiaries

The rapporteur recalled that after the adoption of the new IIA and MFF 2007-2013, a significant increase of appropriations by EUR 800 million was obtained by the EP over the initial proposal and has asked for more explanation about how the Commission is managing

this increase.

The Commission underlined that without this amount it would not be possible to start the programme this year. Moreover, additional funding will be used to ensure the financing of an increased number of grants, an increase in the level of grants, in more countries.

6, 4% of the expenditure covers the administrative costs for the Agencies. More detailed information was requested by the MEPs, particularly on:

- ✓ Executive and National Agencies
- ✓ The funding they receive (executive and administrative costs)
- ✓ Convention signed by the Commission with National Agencies

It was asked that detailed information on the following topics be provided by the Commission in writing:

- List of National Agencies including the location, global funding and its administrative costs;
- The text of Conventions signed with National Agencies

Working document on the draft budget for 2008 and the results of the conciliation of 13 July 2007

Introduction

- The Council adopted its first reading, the draft budget (DB) 2008, on 13 July 2007 following a conciliation with the European Parliament. This working document analyses the DB in three main sections. The first section gives an overview of the main elements of the DB with some comments by the rapporteur. The second section summarises the outcome of the conciliation: the joint statements agreed are annexed to this document. The third section provides a commentary on the main changes in the DB relative the PDB 2008, with further, more detailed remarks by the rapporteur.

I - Main elements of the Council's draft budget 2008

Table 1: Key figures in DB 2008 (EUR)

Heading	1st reading		Difference from PDB 2008 (amount)		Difference from budget 2007 (%)		Margin below existing FF
	Commitments	Payments	Commitments	Payments	Commitments	Payments	
1. Sustainable growth							
1a. Competitiveness for growth and employment	9 504 015 250	8 990 265 850	-266 413 750	-548 413 750	+7.18	+27.58	342 984 750
1b. Cohesion for growth and employment	46 877 941 445	40 124 714 507	0	-498 000 000	+3.06	+6.18	11 058 555
Total	56 381 956 695	49 114 980 357	-266 413 750	-1 046 413 750	+3.73	+9.54	354 043 305
European Global Adjustment Fund	500 000 000						
2. Preservation and management of natural resources	55 722 680 496	54 217 327 053	-553 151 000	-553 151 000	-0.94	-0.92	3 077 319 504
of which Market related expend. and direct aids	41 948 990 000	41 897 050 500					3 005 010 000
3. Citizenship, freedom, security and justice							
3a. Freedom, security and justice	686 735 780	478 147 780	-4 298 220	-18 298 220	+10.08	+0.89	60 264 220
3b. Citizenship	583 943 000	649 833 006	-14 550 000	-44 550 000	-9.83	-10.74	31 057 000
Total	1 270 678 780	1 127 980 786	-18 848 220	-62 848 220	-0.06	-6.15	91 321 220
4. The EU as a global partner	6 889 796 000	7 552 525 400	+217 600 000	-125 000 000	+4.74	+2.72	112 204 000
Emergency Aid Reserve	239 218 000	0		-239 218 000	+2.00		
Total	7 129 014 000	7 552 525 400					
5. Administration	7 190 244 746	7 190 804 746	-96 173 008	-96 173 008	+3.57	+3.58	266 755 254
6. Compensations	206 636 292	206 636 292	0	0	-53.53	-53.53	363 708
GENERAL TOTAL	128 401 211 009	119 410 254 634	-716 985 978	-2 122 803 978	+1.44	+3.39	3 902 006 991

Payment appropriations, as a % of GNI		0.95					
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Source: Council Draft Budget documents

2. As table 1 shows, overall commitment appropriations (CA) in the DB stand at EUR 128 401 million. The Council cut the CA in the PDB by EUR 717 million relative to the PDB 2008, leaving an aggregate margin beneath the multi-annual financial framework (MFF) ceiling in the Inter-institutional agreement (IIA) of 17 May 2006 of EUR 3 902 million. The situation for the ceilings under each MFF heading and sub-heading is examined section III.
3. For payment appropriations (PA), the overall DB figure is EUR 119 410 million as a result of Council cuts of EUR 2 123 million. This leaves a very large margin beneath the MFF payments ceiling of EUR 10 338 million. With over EUR 10 billion of further available payments beneath the MFF ceiling, the level of payments in the DB is a mere 0,95% of EU GNI.
4. Two headings of particular interest in the preparations of the 2008 budget and which are subject to significant modifications in the DB are heading 1, "competitiveness and cohesion for growth and employment", and heading 4, "the EU as a global partner"¹. The Council applied across-the-board linear cuts totalling EUR 266 million (CA) and EUR 548 million (PA), without specific justification, to almost all lines in sub-heading 1a (competitiveness). This included cuts to major projects central to the Lisbon agenda such as the 7th Framework Programme for Research (FP7) and the Life-long learning programme (LLL). Payments were cut by EUR 498 million for sub-heading 1b (cohesion) such that the overall cuts in "Lisbon" priorities in heading 1 exceeded EUR 1 billion in payments. In heading 4, CA were increased by EUR 217,6 million, but PA were cut by EUR 364,2 million.
5. Parliament's priorities for the 2008 budget were set out in its resolution on the Commission's Annual Policy Strategy (APS) 2008, adopted by large majority on 24 April 2007. Building upon the approach taken in the negotiations leading to the 17 May 2006 IIA and work during the preparations of the 2007 budget, competitiveness, cohesion and meeting the challenges of globalisation are among the main priorities that Parliament has set within the overall context of delivering a "budget for results".
6. ***Your rapporteur finds it difficult to reconcile the oft-repeated EU commitment to delivering on the goals of the Lisbon agenda with the indiscriminate cuts, totalling over EUR 1 billion in payments, made to budget lines in headings 1a and 1b in the DB 2008. He further notes that these cuts imply back-loading of co-decided, multi-annual spending programmes agreed during the course of 2007 and he remains in close contact with the responsible specialised committees in Parliament on this matter. He also notes that the Council did not reduce the amounts foreseen for 2008 for Galileo (line 06 02 10) or the European Institute of Technology (15 02 11), although both amounts are placed in reserve.***
7. ***On heading 4, your rapporteur notes the increases proposed in reserve by Council***

¹ Table 2 in section III sets out the DB changes in CA, PA and available margin relative to the PDB 2008 for each of the MMF headings and sub-headings.

for Palestine (+EUR 80 m) and Kosovo (+EUR 180 million). This is further indicative evidence that heading 4 is chronically under-funded. Your rapporteur will look closely at the nomenclature proposed for these amounts by the Council and would welcome a clearer sense of the strategy underlying these increases. He is also concerned by the cuts in the DB as regards PA for the Emergency Aid Reserve.

II - Outcome of the conciliation of 13 July 2007

8. The conciliation preceding Council's adoption of its first reading of the budget took place as foreseen in annex II of the IIA of 17 May 2006. Parliament's delegation negotiated on the basis of the mandate report adopted in COBU on 9 July and further to a preparatory trilogue held on 6 July. The conciliation did not come to any agreements on figures for specific budget lines, but it did agree a number of texts.
9. Joint statements between Parliament and Council were agreed on: structural and cohesion funds and rural development 2007 - 2013 programmes; recruitment in relation with the 2004 and 2007 enlargements; assigned revenues; decentralised agencies (which the Commission joined); and executive agencies. The Commission also made a written declaration on assigned revenue. These texts are annexed to this working document. The joint statements were the main outcome of the conciliation and may provide the basis for amendments in EP first reading on the 2008 budget.
10. *Your rapporteur welcomes the joint statements that represent a successful outcome of this conciliation. He also welcomes the constructive approach taken by the Portuguese Presidency towards agreeing these statements.*
11. The main elements of the discussion at the conciliation were the following:
 - Further to a presentation of the DB by Council and in line with the text of the mandate report, Parliament's delegation strongly criticised the reductions proposed by the Council to Lisbon priority programmes in the areas of competitiveness and cohesion. Parliament's delegation re-stated its position on Galileo as per its resolution of 20 June 2007 (P6-TA (2007) 0272). Parliament's delegation also noted with concern some delays in the adoption of rural development programmes in heading 2 of the budget.
 - Parliament's delegation highlighted the low level of margin available (EUR 112 million) in heading 4 following Council's increase of commitments in the DB by EUR 217 million. Parliament's delegation noted some improvements in the regular CFSP meetings with Council and Commission representatives, but demanded clear proposals providing much greater clarity on the real needs for external spending in 2008 (notably for Kosovo and Palestine) from both Commission and Council. The nature of the proposed spending (EC or CFSP) should be clearly set out and justified.
 - On heading 5, the Commission said that Council's proposed EUR 53 million cut in Commission salaries in the DB would have very negative effects on recruitment in 2008.

- On decentralised agencies, the Commission noted the sensitivity of the some of the cuts proposed by Council to decentralised agency budgets for 2008: in some cases this risked undermining operational effectiveness. Parliament's delegation underlined the importance of improving transparency and monitoring of decentralised agencies, as enshrined in the joint statement agreed at the meeting. Parliament's delegation also emphasised that decentralised agencies must have the necessary funds to carry out their mandates.
- On assigned revenues, Parliament's delegation again underlined the importance of enhanced transparency in the appropriate format, as set out in the joint statement agreed at the meeting.
- Parliament's delegation also raised the issue of how the Commission would finance possible re-payments after the recent Court of Justice ruling against it in the Schneider case and asked for further information from Council on progress by member states towards declarations of assurance (IIA, article 44) in advance of Parliament's first reading on the 2008 budget.

III - Main changes in the draft budget 2008

12. Table 2 shows the changes in CA and PA in the Council's DB relative to PDB 2008¹.

Table 2: Summary changes in DB 2008 relative to PDB 2008 (EUR million)

	c.a.	p.a.
HEADING 1A - Competitiveness for growth and employment	-266.42	-548.42
<i>available margin</i>	<i>342.99</i>	
HEADING 1B - Cohesion for growth and employment		-498.00
<i>available margin</i>	<i>11.06</i>	
HEADING 2 - Preservation of natural resources	-553.15	-553.15
<i>available margin</i>	<i>3 077.32</i>	
HEADING 3A - Freedom, security and justice	-4.30	-18.30
<i>available margin</i>	<i>60.27</i>	
HEADING 3B - Citizenship	-14.55	-44.55
<i>available margin</i>	<i>31.06</i>	
HEADING 4 - European Union as a global partner	+217.60	-364.22
<i>available margin</i>	<i>112.20</i>	
HEADING 5 - Administration	-96.17	-96.17
<i>available margin</i>	<i>266.76</i>	
TOTAL REDUCTION	-716.99	-2 122.81

13. In heading 1a, as noted in section I, the Council cut CA by EUR 266 million via an

¹ Working document no. 7 on PDB 2008 - first analysis, available in all languages at www.europarl.europa.eu/comparl/budg/budg2008procedure/procedure_en.htm includes similar tables and analysis of the PDB 2008.

across the board cut of 3,02%. The overall cut in PA of EUR 548 million was achieved by an across the board cut of 6,14%. A small number of lines were exempted from these unfocussed reductions: EUR 151 million foreseen for Galileo was maintained, but placed in reserve; EUR 2,9 million requested for the EIT was kept in the reserve, but not cut relative to the PDB.

14. ***Your rapporteur notes that the Council justifies these swingeing cuts as "taking into account the trend of the implementation of new programmes". This should be explained in much more detail if it is to be accepted as a credible explanation. There is little prima facie evidence provided by Council that would seem likely to persuade Parliament to accept the back-loading implied in multi-annual programmes that were only very recently adopted in co-decision further to the agreement of the 17 May 2006 IIA.***
15. In heading 1b, across-the-board cuts of EUR 498 million in CA and PA were made. For PA these reductions are split between the completion of 2000 - 2006 programmes (EUR 298,8 million) and 2007 - 2013 programmes (EUR 199,2 million) on a roughly 60: 40 ratio.
16. ***Your rapporteur highlights the text of the joint statement agreed at the 13 July conciliation (see annex, point 1). In light of past experience of delays in the approval of operational programmes and projects at the beginning of the 2000 - 2006 programming period, Parliament and Council will monitor the adoption of such programmes closely with a view to improved budget implementation. The rapporteur further expects that improved implementation will help to reduce the very high level of RALs in this sub-heading and notes that this is an issue that the Parliament wishes to examine closely during the course of the preparation of the 2008 budget.***
17. In heading 2, reductions of EUR 553,2 were made for CA and PA. A significant chunk of these amounts falls under "market measures and direct aids", which according to annex III of the IIA of 17 May 2006 are classified as compulsory expenditure on which the Council has the final say in its second reading. The DB reduces CA and PA on the clearance of accounts by EUR 200 million. It also applied an across the board cut to all (compulsory expenditure) lines in chapter 05 02, with the exception of a small number of lines.
18. ***Your rapporteur takes note of the changes proposed by the Council. He highlights that in line with the joint statement agreed on 13 July 2007 on the structural, cohesion and rural development programmes, he will continue to monitor the approval of programmes closely. He is concerned about the very low proportion of operational programmes that have so far been approved. He is also concerned about the very high levels of assigned revenue linked to the sugar restructuring fund and notes the joint statement of 13 July which stated that "Parliament and the Council will continue to closely pay attention to the management of the assigned revenues expecting rapid improvements in this field". In line with the mandate report, your rapporteur also requests a clearer presentation of the figures for market-related expenditure and direct payments in this and future budgets.***

19. In heading 3a, the cuts proposed by the Council in the DB are relatively modest (EUR 4,3 million CA, EUR 18,3 million PA). A large portion of the cuts in CA are linked to the overall approach that the Council took on decentralised agencies (see below).
20. ***Your rapporteur will discuss the changes proposed under this sub-heading of the budget with the specialised committee most concerned and the standing rapporteur for agencies in advance of Parliament's first reading.***
21. In heading 3b, the Council made cuts of EUR 14,55 million in CA and EUR 44,55 million in PA. Even after these cuts, the margin for CA is just over EUR 30 million. The cuts mainly affected communication and media, going local, Culture 2007, Media 2007 and Youth in Action.
22. ***Your rapporteur notes that the low margin under this sub-heading limits Parliament's scope to come forward with new PPs and PAs and limits options for boosting existing PPs and PAs. He highlights that some of the Council's cuts touch policies that have traditionally been seen as priorities for Parliament.***
23. In heading 4, the increases proposed by the Council for Palestine (+ EUR 80 million) and Kosovo (+ EUR 180 million) are the most significant changes as regards commitments. Once a number of more minor cuts in CA are taken into account the margin remaining under the ceiling is only EUR 112,2 million. The reduction in PA under this heading by a total of EUR 364,2 million is mainly due to the deletion of EUR 239,2 million of payments for the Emergency Aid Reserve.
24. ***Your rapporteur is concerned that the proposed increase for Palestine may not be sufficient given that the relevant line in the DB 2008 (19 08 01 02) has EUR 238 million in appropriations whereas the figures for 2007 are already EUR 332 million once transfers are taken into account. On Kosovo, he has concerns about the budget nomenclature under which the increases are proposed and of the division between EC and CFSP spending foreseen. The Council's approach as regards the Emergency Aid reserve does not appear prudent. Overall, the CA margin remaining appears insufficient given the policy challenges that the EU faces and will continue to face on the global stage. He asks the Commission to clarify its intentions as regards the use of amending budgets and amending letters in order to modify financing for priority areas under heading 4.***
25. On heading 5, the DB made cuts of EUR 96,17 million in CA and PA. The remaining margin for CA is thus just over EUR 266 million. The joint declaration agreed between Council and Parliament on recruitment in relation to the 2004 and 2007 enlargements stresses the continued importance of recruitment of officials from these newest member states.
26. ***Your rapporteur will examine further the extent to which the cuts proposed by the Council will affect the Commission's intention, expressed in the PDB 2008, to abide by the 2003 - 2008 multi-annual plan for recruitment. In line with his philosophy of a budget for results, he continues to underline the importance of clear lines of responsibility and accountability in European Union administration. He considers that effective follow-up to the screening exercise conducted by the Commission***

earlier this year is an important element of Parliament's work on administrative issues in the context of the 2008 budget.

27. On pilot projects and preparatory actions, the Council does not propose any new initiatives in the DB.
28. ***Your rapporteur welcomes this approach. . He notes that Parliament will adjust the margins in line with its prerogatives and its political priorities as regards pilot projects and preparatory actions, in spite of the relatively low margins available under a number of MFF headings.***
29. On decentralised agencies, the Council took a similar approach, from a structural perspective, as did Parliament in its preparations on the 2007 budget. For "old" agencies, the Council approved a 2% increase on B2007 and accepted 25% of new posts requested. For "growing agencies", the Council approved 50% of the increase requested in comparison with the 2007 budget and 50% of the new posts requested. For "new agencies", 75% of the increase requested in comparison with the 2007 budget was accepted as were 75% of the new posts.
30. ***Your rapporteur will consult further with the standing rapporteur on agencies on this issue. He considers that each agency should have the capacity to deliver on the tasks given to it and that, accordingly, a more differentiated approach than that taken by the Council may be most appropriate. He underlines that some decentralised agencies have been specifically established to deliver elements of major pieces of EU legislation, but that this is not the case for all decentralised agencies. He welcomes the joint statement agreed on decentralised agencies on 13 July.***
31. On executive agencies, the joint statement agreed by Parliament and Council at the 13 July conciliation established an improved set of procedures that should be followed in advance of the establishment of a new executive agency or the extension of an existing executive agency.
32. ***Your rapporteur welcomes this joint statement and in particular the emphasis on a comprehensive cost-benefit analysis before a new executive agency is established and the requirement that lines of accountability and responsibility should be clearly set out in the proposal.***
- 33s. ***Your rapporteur wishes finally to welcome the improvements in the Activity Statements prepared by the Commission in PDB 2008. As set out in Parliament's resolution on the 2008 APS, clear, concise Activity Statements that focus on objectives and outcomes rather than descriptions of process help to ensure effective oversight of EU spending by the Budgetary Authority. He trusts that this improvement will be consolidated and further sharpened in future budget years in line with his approach of a budget for results.***

ANNEX: Joint Statements agreed at the conciliation of 13 July 2007

1. Structural and Cohesion Funds and Rural Development 2007-2013 programmes

"The European Parliament and the Council attach the greatest importance to a rapid approval by the Commission of the operational programmes and projects presented by Member States in relation with the new Structural and Cohesion Funds programmes for the 2007-2013 period, as well as for programmes financed under rural development.

In order to avoid the past experience during the beginning of the 2000-2006 programming period, the European Parliament and the Council will monitor rigorously and on a regular basis the process of approval of operational programmes and projects in view of more efficiency and good administration. To this end, the Commission is requested to continue to provide regularly specific monitoring tools, including a flow chart, during the budgetary procedure."

2. Recruitment in relation with the 2004 and 2007 enlargement

"The European Parliament and the Council note with concern the low occupancy of posts at Middle Management level, the rather high ratio of permanent posts occupied by temporary agents and the lack of a sufficient number of appropriate competitions.

The European Parliament and the Council insist that all efforts should be made by the institutions and specifically by EPSO to ensure that the necessary action is taken to rectify the situation and to speed up the whole process of filling up the posts granted by the budgetary authority with officials. The criteria should be as stipulated in Article 27 of the Staff Regulation and to arrive at the broadest possible geographical proportional basis as soon as possible.

The European Parliament and the Council intend to continue to monitor closely the ongoing recruitment process. To this effect, they request each institution and EPSO to provide twice a year an information to the budgetary authority on the state of affairs regarding recruitments in relation with the 2004 and 2007 enlargement.

The European Parliament and the Council invite the Secretaries-general of the institutions to present a report on the progress made in the field as follows:

- concerning the filling of the posts granted in 2004-07 budgets by the end of January 2008;
- concerning the filling of the posts granted in 2008 by 15 June 2008 and by 31 October 2008."

3. Assigned revenues

"The European Parliament and the Council believe that increasing transparency in the budgetary field is part of a sound financial management of the EU funds.

In this context, they ask the Commission and the other institutions to provide appropriate, timely and detailed documentation on assigned revenues, covering actual implementation and forecasts as far as possible, to accompany the Preliminary Draft Budget. The Commission will provide appropriate information on assigned revenues in relation to carry-overs and when available transfers of appropriations; this will entail changes to the format and content of the current documentation and will not prejudice the decisions to be taken by the budgetary authority.

They attach a great importance to the monitoring of the assigned revenues, especially to those related to the Community agencies, and ask the Commission to report regularly on their implementation, in particular on the basis of a specific document before the first reading of the budget. They invite the Commission to present appropriate proposals allowing an effective monitoring and control of the assigned revenues in the context of the upcoming revision of the Framework Financial Regulation No. 2343/2002 for Community agencies.

The Commission is invited to report about the improvements made no later than the beginning of the following budgetary procedure. The European Parliament and the Council will continue to closely pay attention to the management of the assigned revenues expecting rapid improvements in this field."

4. Decentralised agencies

Concerning the creation or the modification of the scope of a body falling under Article 185 of the Financial Regulation, the two arms of the budgetary authority ask the Commission to inform them timely on the ongoing legislative procedure in order to enable them to exert their prerogatives in accordance with Point 47 of the IIA.

The European Parliament, the Council and the Commission demand greater transparency in relation to the decentralised agencies, with a view to better monitoring their development. The Commission will identify for each heading the expenditure for agencies, including its evolution over the 2007-2013 period.

They recall their joint statement on Community agencies adopted on 18 April 2007, especially its point 4, and invites the Commission to provide a list of the agencies that it is going to assess including a detailed timetable for this procedure and a detailed explanation of the criteria used for the selection of the agencies and to present the results each year at the October trilogue at the latest.

To allow the budgetary authority to get a clear and comprehensive picture of evaluations already made, the Commission should give the list of the agencies that have already been evaluated and a short summary of the major findings of these analysis.

They also recall that the abovementioned joint statement of 18 April 2007, the Commission has been invited to provide, simultaneously with each PDB, a working document covering all Community agencies.

To achieve this, decentralised agencies are requested to provide detailed information, on

an annual basis, to accompany their draft estimates for the coming budget year. This should include an update of their staff policy plan, with information on the number of permanent and temporary agents covered by the establishment plans and on external staff (contractual agents) for the years $n-1$, n and $n+1$; the work programme of the agency and information on the content of their budget, detailing titles 1 and 2.

They shall also make available estimates and indicators such as rents or estimated value of buildings, statute of staff and any privileges granted to the agencies by the host Member States.

Moreover, the agencies should provide, by the end of March each year n at the latest, an estimate of the operating surplus from the year $n-1$, which is to be returned to the Community budget later in year n , in order to complete the information already available concerning the surplus of $n-2$.

The European Parliament and the Council invite the Commission to proceed to the collection of all information mentioned above, in due time for each PDB, and to collect missing information for this year."

5. Executive agencies

"The European Parliament and the Council welcomes all efforts to improve the efficiency of the methods used by the European Commission to implement EU policies and programmes.

The creation of executive agencies can constitute a contribution to such efficiency, but only if this method fully respects the principle of sound financial management and total transparency. This means that such agencies must not, either now or in the future, lead to an increase in the share of administrative cost. Therefore, the principle of freezing of posts as defined in Council Regulation (EC) No. 58/2003 of 19 December 2002, as a result of such a reorganisation of tasks, must be adhered to rigorously. Any proposal for the creation of a new executive agency should be based on a comprehensive cost-benefit analysis. Lines of accountability and responsibility should be clearly set out in the proposal.

The budgetary authority must be in possession of all the requisite information enabling it to monitor closely the implementation of this principle both currently and in the future. The information in the specific financial statement for the executive agency should therefore cover:

- a. the resources in terms of appropriations and staff required to run the executive agency, showing a breakdown of staff expenditure (permanent and temporary officials and contractual agents) and other administrative expenditure;
- b. the planned secondments of officials from the Commission to the executive agency;
- c. administrative resources freed by transferring tasks from the Commission departments to the executive agency, and the re-allocation of the human resources; in particular the number of staff (including external staff) assigned to each relevant task within the Commission, the number of this staff to be

- transferred to a proposed new or enlarged agency, the number of Commission posts to be frozen as a consequence and the number of Commission staff to be proposed to be redeployed to other tasks;
- d. consecutive redeployment within the Commission's establishment plan;
 - e. the advantages of delegating implementing tasks to an executive agency versus direct management by the Commission services: any comparison of a "Direct management by the Commission services"-scenario to an "executive agency"-scenario shall be based on the resources used to implement the existing programme(s) and its (their) current form in order to have a sound and factual basis for comparison; for new and expanding programmes the evolution of the related financial envelope to be managed by the agency will also be taken into consideration;
 - f. a draft establishment plan per grade and per category as well as a well-founded estimate of the number of contractual agents planned and provisionally budgeted;
 - g. a clear breakdown of all actors involved in the implementation programme including the remaining share of the operational programme envelope for the implementation of which they are responsible (Commission, executive agencies, remaining Technical Assistance Offices, Member States, national agencies, etc.)

The European Parliament and the Council call on the Commission, before deciding to create a new agency or to extend the remit of an existing agency, to supply complete and detailed information on staffing levels and utilisation enabling the budgetary authority to assess whether the administrative expenditure of implementing a programme has indeed not been increased.

It is recalled that the final decision on staffing remains a matter for the budgetary authority."

Commission declaration on assigned revenue

"The Commission recalls that recovery of amounts wrongly paid is a vital tool for sound financial management; these amounts should be considered in the perspective of a full implementation of the programmes decided under the multi-annual financial framework.

Moreover, the Commission considers that it is not possible to provide the Budgetary Authority with forecasts of assigned revenue other than those that are already included in the Preliminary Draft Budget."