

# EUROPEAN PARLIAMENT

2004



2009

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*Committee on Regional Development*

**2005/2001(BUD)**

14.9.2005

## **OPINION**

of the Committee on Regional Development

for the Committee on Budgets

on the draft general budget of the European Union for the financial year 2006  
(C6-0000/2005 - 2005/2001 (BUD))

Section III - Commission

Draftswoman: Constanze Angela Krehl

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## SHORT JUSTIFICATION

### ➤ INTRODUCTION

The Preliminary draft budget 2006 is the last under the current Financial Perspective that expires at the end of next year, 2006 and will be the second full year of budgetary expenditure of EU 25. To meet the needs of an enlarged Europe facing the challenges of the re-launched Lisbon and Gothenburg objectives, the Commission proposes an overall increase of the budgetary provisions for 2006 of 6%, amounting to 1.02% of the Union's GNI.

It should be recalled that under the current Financial Perspective the ceiling for commitment appropriations<sup>1</sup> is Euro 123.5 billion or 1.12% of GNI and that for payment appropriations is Euro 119.1 billion or 1.08% GNI. The proposed 2006 budget, based as it is on realistic estimates of needs amounts to approximately 1.02% of GNI in payment appropriations and is therefore well within the imposed ceiling.

The Priorities of the Union are clearly established, and condition the 2006 budget accordingly. Thus in order to achieve the aims of the Lisbon Strategy the accent is put on strengthening efforts in Research, Education and training, Mobility, Small and Medium sized Enterprises (SMEs) the TENS and Regional Policy. Of course Regional policy itself is central to the achievement of the Lisbon and Gothenburg objectives for it is within the regions that actions to promote education, job and gender equality, and assistance to SMEs are effectively put into practice.

### ➤ REGIONAL DEVELOPMENT FUND

In 2006 payment appropriations rise by 9.2% to meet outstanding commitments made earlier during the programming period 2000 - 2006.<sup>2</sup> This reflects an expectation that payment needs for EU 15 in 2006 will be higher than in 2005.

As can be expected, Regional policy resources are heavily concentrated on the least prosperous regions, where growth potential is highest but public funds may be lacking. Appropriations for these regions are in accordance with the Copenhagen agreement and the increase in 2006 is 8.6%.

The overall increase of the Structural Funds budget is 3% compared with 2005. About 66% of the increase is accounted for by new structural commitments arising as payments are phased for the 10 Member States that joined the Union in 2004. For the EU 15, payment appropriations correspond to 95% of average year's commitments for objectives 1 and 2 and 90% for Community initiatives. These rates are the same as those of the 2005 PDB. Comparable rates of execution for mainstream projects in 2003 and 2004 were 78% and 88 % respectively whilst for initiatives they were 31% and 79%.

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<sup>1</sup> Commitment appropriations cover the total cost of legal commitments entered into during a given financial year and/or previous financial years.

<sup>2</sup> see IP/05 27 April 2005

➤ **THE COHESION FUND**

The Cohesion Fund will see a significant increase in commitment funds of approximately 35% for the New Member States when compared with 2005.<sup>1</sup> Other cohesion countries however, see a slight reduction in commitment appropriations. This is partly accounted for by Ireland's loss of eligibility in 2004.

➤ **NORTHERN IRELAND PEACE PROGRAMME<sup>2</sup>**

At the time of agreement on 2005 Budget it was agreed that EUR 16 million would be re-allocated from the technical assistance and innovative actions envelope to the PEACE programme. The 2006 PDB proposes to allocate 28 million to PEACE, the additional 12 million coming from the technical assistance envelope.<sup>3</sup>

➤ **RAL<sup>4</sup>,**

It should perhaps be emphasised that RAL is a normal consequence of multi-annual programmes. A comparison of the RAL as at 31/12/2003 and 31/12/2004 shows a correlation between the increase in objective 1 and cohesion RAL<sup>5</sup> and the increase for new Member States<sup>6</sup> During the same period the RAL of the pre 2000 programmes was reduced from Euro 9.2 billion to Euro 3.3 billion.

In 2006, if execution is in line with proposed payments the outstanding RAL is expected to increase by 10% or approximately EURO 6 billion. This reflects the fact that proposed payments are less than 100% of 2006 commitments for EU 15 and are around 50% of 2006 commitments for the New Members States.

The Commission's request for increases in the PDB 2006 is based on estimates of commitments and payments calculated on the one hand by reference to the Copenhagen Council figures and on the other by reference to 95% of average year's commitments. These objective criteria should ensure optimal management of resources. It is therefore your draftswoman's opinion that these figures should be maintained and any arbitrary reduction by Council be rejected. She therefore reserves the right to introduce any amendments to the draft budget when adopted by Council as may be required to ensure that sufficient resources are available for the full implementation of EU Structural policy.

**Creation of a new budget line in the 2006 budget to assist in financing the creation of a network of organisations of Small and medium sized organisations.**

The European Union recognises the unique role of SMEs in achieving the objectives of the Lisbon Strategy.

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<sup>1</sup> The increase derives from the Copenhagen agreement.

<sup>2</sup> N. Ireland

<sup>3</sup> Source: DG Budget EC.

<sup>4</sup> RAL = All outstanding commitments which remain to be paid, once the conditions for payment have been fulfilled.

<sup>5</sup> 6.8% and 42.2% respectively

<sup>6</sup> Working Document Part III PDB 2006 Page 243

The ongoing enlargement of the EU is unique in attempting to successfully integrate into the European and global economy, economies which for the major part of the 20th century were the victims of a failed economic and social experiment.

EU 25 will in all probability expand further over the period 2007 - 2013. The collapse of the Soviet empire and the adoption by the majority of its Members, of a free market economy has led to an awareness of the need to invest in improving cross border co-operation, not only within the Union but also with its direct neighbours. It is in recognition of this the European Commission has proposed the creation of the EGCC .

Whilst the countries concerned including candidate countries, have shown their ability to quickly adapt to the constraints and benefits of, an ever changing free market economy, the newly formed SMEs which form the backbone of their economies can undoubtedly benefit from exchanging knowledge and experiences with well established companies in EU 15.

At present, SMEs do not possess the infrastructure necessary to easily promote such exchanges and best practice. It is for this reason that your rapporteur has proposed the creation of a new budget line ( 130315) in the 2006 budget to assist in financing the creation of a network of organisations of small and medium sized organisations.

Your rapporteur contends that the relatively small financial resources required for this budget line, which would be limited in an initial period to EURO 500.000 in commitment appropriations and EURO 250.000 in payment appropriations, could be found from the technical assistance envelope in the same way as extra funding has been found for the N. Ireland Peace initiative.

In summary your draftswoman would recommend that the committee supports her proposal to maintain the appropriations proposed and justified by the Commission in the PDB as well as the creation of the new budget line ( 130315) in the 2006 budget to assist in financing the creation of an organisation of SMEs to improve networking skills.

## SUGGESTIONS

The Committee on Regional Development calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Stresses the significance of the financial year 2006 for regional policy and points out that should there be no agreement on the 2007-2013 financial perspective, the 2006 budget will serve as the basis for the 2007 budget;
2. Regrets that on an accounting basis only, and without taking account of political priorities, the Council has adopted an across the board reduction of EUR 150 million in regional policy expenditure;
3. Takes the view that the Council conducted no serious analysis before making this reduction and that the rationale behind it is difficult to understand given that 2005 expenditure is high and that it will most probably be necessary to amend the 2005 budget to meet needs;
4. Takes the view that the amounts entered in the Preliminary draft budget (PDB) for regional policy represent the bare minimum and therefore calls for all PDB lines to be restored.

Title Chapter Article Item	Heading	FP	Appropriations 2006		Appropriations 2005		Outturn 2004	
			Commitments	Payments	Commitments	Payments	Commitments	Payments
13 03	European Regional Development Fund and other regional interventions							
13 03 01	European Regional Development Fund (ERDF) – Objective 1	2.1	17 517 005 689	14 446 709 721	16 878 716 322	12 726 961 549	15 793 919 824,—	12 594 258 722,94
	<b>Article 13 03 01 — Subtotal</b>		<b>17 517 005 689</b>	<b>14 446 709 721</b>	<b>16 878 716 322</b>	<b>12 726 961 549</b>	<b>15 793 919 824,—</b>	<b>12 594 258 722,94</b>
13 03 02	Special programme for peace and reconciliation in Northern Ireland and the border counties of Ireland	2.1	17 080 000	72 796 901	30 500 000	51 672 096	71 198 968,—	59 533 947,92
	<b>Article 13 03 02 — Subtotal</b>		<b>17 080 000</b>	<b>72 796 901</b>	<b>30 500 000</b>	<b>51 672 096</b>	<b>71 198 968,—</b>	<b>59 533 947,92</b>
13 03 03	Completion of earlier programmes — Objective 1	2.1	p.m.	27 150 888	p.m.	72 000 000	0,—	1 007 126 784,06
	<b>Article 13 03 03 — Subtotal</b>		<b>p.m.</b>	<b>27 150 888</b>	<b>p.m.</b>	<b>72 000 000</b>	<b>0,—</b>	<b>1 007 126 784,06</b>
13 03 04	European Regional Development Fund (ERDF) — Objective 2	2.1	3 039 945 977	2 802 509 908	3 145 689 964	3 435 789 185	3 265 987 540,21	3 475 818 480,72
	<b>Article 13 03 04 — Subtotal</b>		<b>3 039 945 977</b>	<b>2 802 509 908</b>	<b>3 145 689 964</b>	<b>3 435 789 185</b>	<b>3 265 987 540,21</b>	<b>3 475 818 480,72</b>
13 03 05	Completion of earlier programmes — Objective 2	2.1	p.m.	11 373 257	p.m.	18 000 000	0,—	213 422 052,28
	<b>Article 13 03 05 — Subtotal</b>		<b>p.m.</b>	<b>11 373 257</b>	<b>p.m.</b>	<b>18 000 000</b>	<b>0,—</b>	<b>213 422 052,28</b>
13 03 06	Urban	2.1	134 267 691	85 322 361	131 887 810	63 328 096	128 975 916,—	89 051 974,03
	<b>Article 13 03 06 — Subtotal</b>		<b>134 267 691</b>	<b>85 322 361</b>	<b>131 887 810</b>	<b>63 328 096</b>	<b>128 975 916,—</b>	<b>89 051 974,03</b>
13 03 07	Completion of earlier programmes — Community initiatives	2.1	p.m.	15 763 812	p.m.	30 000 000	0,—	467 425 577,81
	<b>Article 13 03 07 — Subtotal</b>		<b>p.m.</b>	<b>15 763 812</b>	<b>p.m.</b>	<b>30 000 000</b>	<b>0,—</b>	<b>467 425 577,81</b>
13 03 08	European Regional Development Fund (ERDF) — Technical assistance and innovative measures	2.1	45 613 067	100 000 000	53 511 147	124 000 000	38 388 494,82	49 057 335,11
	<b>Article 13 03 08 — Subtotal</b>		<b>45 613 067</b>	<b>100 000 000</b>	<b>53 511 147</b>	<b>124 000 000</b>	<b>38 388 494,82</b>	<b>49 057 335,11</b>

13 03 09	Completion of earlier programmes — Technical assistance and innovation measures	2.1	p.m.	479 982	p.m.	p.m.	0,—	9 878 901,82
	<b>Article 13 03 09 — Subtotal</b>		<b>p.m.</b>	<b>479 982</b>	<b>p.m.</b>	<b>p.m.</b>	<b>0,—</b>	<b>9 878 901,82</b>
13 03 10	Completion of other regional measures	3	—	—	—	—	0,—	4 342,29
	<b>Article 13 03 10 — Subtotal</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0,—</b>	<b>4 342,29</b>
13 03 11	Programme for the modernisation of the textile and clothing industry in Portugal	3	—	—	—	—	0,—	2 084 589,98
	<b>Article 13 03 11 — Subtotal</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0,—</b>	<b>2 084 589,98</b>
13 03 12	Community contribution to the International Fund for Ireland	3	15 000 000	15 000 000	15 000 000	15 000 000	15 000 000,—	15 000 000,—
	<b>Article 13 03 12 — Subtotal</b>		<b>15 000 000</b>	<b>15 000 000</b>	<b>15 000 000</b>	<b>15 000 000</b>	<b>15 000 000,—</b>	<b>15 000 000,—</b>
13 03 13	Interreg III Community initiative	2.1	1 156 863 141	819 527 006	1 109 963 603	581 274 945	1 069 779 081,—	538 279 896,31
	<b>Article 13 03 13 — Subtotal</b>		<b>1 156 863 141</b>	<b>819 527 006</b>	<b>1 109 963 603</b>	<b>581 274 945</b>	<b>1 069 779 081,—</b>	<b>538 279 896,31</b>
13 03 14	Support for regions bordering candidate countries	2.1	—	p.m.	p.m.	17 784 252	0,—	4 601 750,11
	<b>Article 13 03 14 — Subtotal</b>		<b>—</b>	<b>p.m.</b>	<b>p.m.</b>	<b>17 784 252</b>	<b>0,—</b>	<b>4 601 750,11</b>
<b>Chapter 13 03 — Total</b>			<b>21 925 775 565</b>	<b>18 396 633 836</b>	<b>21 365 268 846</b>	<b>17 135 810 123</b>	<b>20 383 249 824,03</b>	<b>18 525 544 355,38</b>
13 04	Cohesion Fund							
13 04 01	Cohesion Fund	2.2	6 026 582 110	3 500 000 000	5 126 432 989	3 000 000 000	5 628 109 995,96	2 642 101 717,53
	<b>Article 13 04 01 — Subtotal</b>		<b>6 026 582 110</b>	<b>3 500 000 000</b>	<b>5 126 432 989</b>	<b>3 000 000 000</b>	<b>5 628 109 995,96</b>	<b>2 642 101 717,53</b>
<b>Chapter 13 04 — Total</b>			<b>6 026 582 110</b>	<b>3 500 000 000</b>	<b>5 126 432 989</b>	<b>3 000 000 000</b>	<b>5 628 109 995,96</b>	<b>2 642 101 717,53</b>



13 05	Preaccession interventions related to the structural policies								
13 05 01	Instrument for structural policies for preaccession								
13 05 01 01	Instrument for structural policies for preaccession	7.2	580 000 000	275 000 000	521 950 000	200 000 000	450 949 918,—	132 184 195,—	
13 05 01 02	Instrument for structural policies for preaccession — Closure of preaccession assistance, relating to eight applicant countries	7.2	p.m.	575 000 000	p.m.	500 000 000	0,—	433 640 804,70	
	<b>Article 13 05 01 — Subtotal</b>		<b>580 000 000</b>	<b>850 000 000</b>	<b>521 950 000</b>	<b>700 000 000</b>	<b>450 949 918,—</b>	<b>565 824 999,70</b>	
<b>Chapter 13 05 — Total</b>			<b>580 000 000</b>	<b>850 000 000</b>	<b>521 950 000</b>	<b>700 000 000</b>	<b>450 949 918,—</b>	<b>565 824 999,70</b>	
13 06	Solidarity Fund — Management								
13 06 01	European Union Solidarity Fund — Member States	3	p.m.	p.m.	p.m.	p.m.	20 955 775,—	77 205 775,—	
	<b>Article 13 06 01 — Subtotal</b>		<b>p.m.</b>	<b>p.m.</b>	<b>p.m.</b>	<b>p.m.</b>	<b>20 955 775,—</b>	<b>77 205 775,—</b>	
13 06 02	European Union Solidarity Fund — Countries negotiating for accession	7.5	p.m.	p.m.	p.m.	p.m.	961 220,—	961 220,—	
	<b>Article 13 06 02 — Subtotal</b>		<b>p.m.</b>	<b>p.m.</b>	<b>p.m.</b>	<b>p.m.</b>	<b>961 220,—</b>	<b>961 220,—</b>	
<b>Chapter 13 06 — Total</b>			<b>p.m.</b>	<b>p.m.</b>	<b>p.m.</b>	<b>p.m.</b>	<b>21 916 995,—</b>	<b>78 166 995,—</b>	

13 49	Expenditure on administrative management of programmes committed in accordance with the former Financial Regulation								
13 49 04	Support expenditure for operations of Regional policy area								
13 49 04 01	European Regional Development Fund (ERDF) — Expenditure on administrative management	2.1	—	p.m.	—	p.m.	0,—		421 108,62
13 49 04 02	Instrument for structural policies for preaccession (ISPA) — Expenditure on administrative management	7.2	—	p.m.	—	p.m.	0,—		152 636,09
	<b>Article 13 49 04 — Subtotal</b>		—	<b>p.m.</b>	—	<b>p.m.</b>	<b>0,—</b>		<b>573 744,71</b>
	<b>Chapter 13 49 — Total</b>		—	<b>p.m.</b>	—	<b>p.m.</b>	<b>0,—</b>		<b>573 744,71</b>
	<b>Title 13 — Total</b>		<b>28 629 428 109</b>	<b>22 843 704 270</b>	<b>27 103 805 946</b>	<b>20 925 964 234</b>	<b>26 558 980 242,83</b>		<b>21 886 965 322,16</b>

## PROCEDURE

<b>Title</b>	2006 budget: Section III - Commission
<b>Procedure number</b>	2005/2001(BUD)
<b>Committee responsible</b>	BUDG
<b>Committee asked for its opinion</b> Date announced in plenary	REGI
<b>Enhanced cooperation</b>	
<b>Drafts(wo)man</b> Date appointed	Constanze Angela Krehl 14.3.2005
<b>Discussed in committee</b>	11.7.2005
<b>Date suggestions adopted</b>	13.9.2005
<b>Result of final vote</b>	for: 46 against: 0 abstentions: 1
<b>Members present for the final vote</b>	Stavros Arnaoutakis, Jean Marie Beaupuy, Rolf Berend, Jana Bobošíková, Graham Booth, Bernadette Bourzai, Bairbre de Brún, Giovanni Claudio Fava, Gerardo Galeote Quecedo, Iratxe García Pérez, Lidia Joanna Geringer de Oedenberg, Ambroise Guellec, Pedro Guerreiro, Zita Gurmai, Gábor Harangozó, Marian Harkin, Konstantinos Hatzidakis, Jim Higgins, Alain Hutchinson, Mieczysław Edmund Janowski, Gisela Kallenbach, Tunne Kelam, Miloš Koterec, Constanze Angela Krehl, Jamila Madeira, Yiannakis Matsis, Miroslav Mikolášik, Francesco Musotto, Lambert van Nistelrooij, Jan Olbrycht, Markus Pieper, Elisabeth Schroedter, Alyn Smith, Grażyna Staniszewska, Margie Sudre, Kyriacos Triantaphyllides, Oldřich Vlasák, Vladimír Železný
<b>Substitutes present for the final vote</b>	Mojca Drčar Murko, Emanuel Jardim Fernandes, Riitta Myller, Mirosław Mariusz Piotrowski, Toomas Savi, László Surján, Thomas Ulmer, Paavo Väyrynen, Nikolaos Vakalis
<b>Substitutes under Rule 178(2) present for the final vote</b>	