

Brussels, 3 May 2006

## Q&A on the budget proposal 2007

### 1. What are the new elements in the 2007 budget? What has changed compared to 2006?

This is the first budget under the new Financial Framework, which will guide EU finances in the years 2007-2013.

As compared to the current budget, in 2007 the Commission has proposed to increase commitment appropriations by 4.6%, to EUR 126 824.1 million; payment appropriations will increase by 3.9% to EUR 116 418.1 million.

There is a considerable increase in EU funding (commitment appropriations) for goals linked to sustainable growth (14.3 %), including for research, transport and energy.

There is more flexibility to cover unforeseen events: the new European Globalisation Adjustment Fund (up to EUR 500 million - by means of an amending budget), the Emergency Aid Reserve (EUR 234.5 million), the Solidarity Fund (EUR 1 billion maximum) and Flexibility Instrument (200 million).

The underlying legal structure of budget instruments was reviewed, aiming for more effective budget management. As a result, 50% of the budget is based on new legal bases, including a new generation of programmes such as Galileo, ITER, Intelligent Energy, Life Long Learning and the Competitiveness and Innovation Programme.

### 2. What are the priorities under the proposal? Will the Commission manage to meet its goals?

This budget will continue to fulfil the strategic priorities of this Commission – prosperity, solidarity, security and external projection – within the limits set by the new financial framework.

There has been a clear focus on and increase of funding for sustainable development goals (heading 1), up 14.3% compared to 2006, with a total of EUR 54 282.7 million in commitment appropriations. This is EUR **6.8 billion more** than in 2006. Rural development (heading 2) will increase by 3% to EUR 12 371.4 million. There are significant increases in funding for actions under Fundamental Rights and Justice, Security and Safeguarding Liberties (heading 3a). For external projection, there are new generation programmes such as European neighbourhood and partnership, development and economic cooperation, and the Instrument for Stability.

### 3. What is the role of the new flexibility mechanisms?

The EU must be prepared to provide a quick and adequate response to unforeseen developments such as natural disasters, political crises, negative results of globalisation, etc. Flexibility mechanisms provide for the necessary financial reserves, without jeopardising the budget for EU's regular activities. These mechanisms include the Solidarity Fund, Emergency Aid Reserve, Globalisation Adjustment Fund and Flexibility Instrument.

**4. The budget is described in two differing sets of figures: what is the difference between payment appropriations and commitment appropriations?**

The budget forecasts both commitments (legal pledges to provide financing, provided that certain conditions are fulfilled) and payments (actual cash or bank transfers to the beneficiaries). Appropriations (i.e. funds) for commitments and payments often differ because multi-annual programmes and projects are usually committed in the year they are decided, but are paid for over the years as the implementation of the programme and project progresses. Thus, if the EU budget increases, due for example to enlargement, commitments will increase before payments do.

Commitment appropriations represent the *political* commitment of the EU to involve funds in certain actions.

**5. Why is the share of payment appropriations frozen at the level of 0.99% of EU gross national income (GNI)?**

It is normal that payment appropriations are lower when programmes start and grow more dynamically as programmes reach more advanced stages.

**6. What is the allowed ceiling for the budget in 2007? Why does the budget proposal not reach that ceiling?**

The total ceiling for commitment appropriations amounts to EUR 128 091 million, and the total ceiling for payment appropriations is EUR 123 790 million. The ceilings come from the Financial Framework as a maximum that must be respected. In establishing the preliminary draft budget (PDB) the Commission works on the basis of the latest estimates and needs, while respecting this financial framework.

**7. How does the preliminary draft budget become an approved budget by the end of the year? What are the steps in the process?**

**14 July:** Conciliation meeting between the EU Council and the European Parliament. A first reading of the budget by the Council establishes the Draft Budget.

**23-26 October:** EP plenary and Parliament's first reading.

**21 November:** Conciliation meeting between the Council and Parliament, and the Council's second reading.

**11-14 December:** EP plenary and Parliament's second reading; the final adoption of the EU budget.