



**COUNCIL OF
THE EUROPEAN UNION**



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PROVISIONAL VERSION

PRESS RELEASE

2814th Council meeting

Economic and Financial Affairs

BUDGET

Brussels, 13 July 2007

President

Mr Emanuel Augusto SANTOS

Deputy Minister of Finances for the Budget of Portugal

P R E S S

Main results of the Council

The Council agreed on the draft budget for 2008 at first reading after a conciliation meeting with the European Parliament and the Commission.

The Commission submitted its preliminary draft budget in spring 2007.

As usual, the draft budget will be examined and amended by the European Parliament at first reading in autumn 2007.

The Commission will submit a number of letters of Amendment in autumn before the second reading by the Council scheduled for November 2007.

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (<http://www.consilium.europa.eu>).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

PARTICIPANTS

The Governments of the Member States and the European Commission were represented as follows:

Belgium:

Mr Jan DE BOCK

Permanent Representative

Bulgaria:

Mr Lyubomir DATZOV

Deputy Minister for Finance

Czech Republic:

Mr Eduard JANOTA

Deputy Minister for Finance, Public Budgets Section

Denmark:

Mr Claus GRUBE

Permanent Representative

Germany:

Mr Thomas MIROW

State Secretary, Federal Ministry of Finance

Estonia:

Mr Väino REINART

Permanent Representative

Ireland:

Mr Noel AHERN

Minister of State at the Department of the Environment, Heritage and Local Government (with special responsibility for Housing and Urban Renewal) and at the Department of Community, Rural and Gaeltacht Affairs (with special responsibility for Drugs Strategy and Community Affairs)

Greece:

Mr Dimitris N. ILIOPOULOS

Deputy Permanent Representative

Spain:

Mr Carlos BASTARRECHE SAGÜES

Permanent Representative

France:

Mr Pierre SELLAL

Permanent Representative

Italy:

Mr Paolo CENTO

State Secretary for Economic Affairs and Finance

Cyprus:

Mr Stavros MICHAEL

Director General

Latvia:

Ms Irēna KRŪMANE

State Secretary, Ministry of Finance

Lithuania:

Mr Edmundas ZILEVIČIUS

Undersecretary, Ministry of Finance

Luxembourg:

Mme Martine SCHOMMER

Permanent Representative

Hungary:

Mr Miklós TÁTRAI

State Secretary, Ministry of Finance

Malta:

Mr Richard CACHIA CARUANA

Permanent Representative

Netherlands:

Mr Tom de BRUIJN

Permanent Representative

Austria:

Mr Christoph MATZNETTER

State Secretary, Federal Ministry of Finance

Poland:

Ms Marta GAJĘCKA

Undersecretary of State, Ministry of Finance

Portugal:

Mr Emanuel AUGUSTO SANTOS

State Secretary for the Budget, attached to the Minister for Finance

Mr Pedro RODRIGUES

Deputy State Secretary, Ministry of Finance

Romania:

Mr Lazar COMANESCU

Permanent Representative

Slovenia:

Ms Alenka JERKIC

Counsellor

Slovakia:

Mr František PALKO

State Secretary at the Ministry of Finance

Finland:

Ms Mari KIVINIEMI

Minister for Public Administration and Local Government

Sweden:

Mr Hans LINDBLAD

State Secretary at the Ministry of Finance

United Kingdom:

Ms Kitty USSHER

Economic Secretary to the Treasury

Commission:

Ms Dalia GRYBAUSKAITĖ

Member

ITEMS DEBATED

OUTCOME OF THE CONCILIATION MEETING WITH THE EUROPEAN PARLIAMENT

Before examining and establishing the draft budget for the financial year 2008, the Council held its customary meeting with a delegation from the European Parliament in the framework of the Interinstitutional Agreement. The delegation was led by Mr Reimer BÖGE, Chairman of the Committee on Budgets, and comprised:

Mr Kyösti VIRRANKOSKI (Rapporteur for Section III - Commission - of the 2008 budget),

Mr Ville ITÄLÄ (Rapporteur for Other Sections of the 2008 budget),

Mr Valdis DOMBROVSKIS, Mr James ELLES, Mr Michel GAHLER,
Mr Salvador GARRIGA POLLEDO, Ms Catherine GUY-QUINT, Ms Jutta HAUG,
Ms Monica Maria IACOB-RIDZI, Mr Francesco MUSOTTO, Mr Bernhard RAPKAY,
Ms Dagmar ROTH-BEHRENDT, Mr Esko SEPPÄNEN, Mr László SURJÁN and
Ms Helga TRÜPEL, members of the European Parliament.

Ms Dalia GRYBAUSKAITĖ, member of the European Commission, took part in the conciliation meeting.

The conciliation meeting, which was prepared on the basis of the outcome of the discussions in the Trilogue on 6 July 2007 covered the general outline of the 2008 budget and the following specific items related to the Budget 2008:

– Kosovo and Palestine:

The European Parliament and the Council agreed to resume discussion of this question in November in order to better clarify the additional financial needs which could be identified consequently to the situation in those countries.

– CFSP:

The European Parliament and the Council held an exchange of views on the subject and agreed to come back to it in November in the light of developments.

- Decentralised and executive agencies:

The European Parliament and the Council held an exchange of views on this subject and adopted two joint statements (see below).

- Joint Statements

The European Parliament and the Council confirmed the following joint statements on *Recruitment related to 2004 & 2007 enlargement, Decentralised & Executive agencies, Structural and Cohesion Funds and Rural Development 2007-2013, Assigned Revenues* respectively, which will be entered in the Council's minutes.

The Commission entered a unilateral statement in this context.

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 2004-2007 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 invite 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 in 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 welcome 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."

**ESTABLISHMENT OF THE DRAFT BUDGET OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 2008**

(see 11427/07 + COR1 + ADD1, 11428/07 + ADD1, ADD2)

After the conciliation meeting with the European Parliament, and on the basis of the preparatory work done by the Permanent Representatives Committee, the Council confirmed by a large qualified majority the agreement reached by the Permanent Representatives Committee on the draft general budget for 2008 and statements¹ as recorded in *documents 11427/07 + COR1 + ADD1 and 11428/07 + ADD1 and ADD2*.

The Council gives a mandate to the Presidency, assisted by the General Secretariat of the Council, to establish budget documents and forward them to the European Parliament in accordance with the planned timetable.

The 2008 draft budget at first reading amounts to:

EUR 128 401 211 009 in commitment appropriations

EUR 119 410 254 634 in payment appropriations.

Compared with 2007 Budget, these amounts represent a 1.44% increase in commitment appropriations and a 3.39% increase in payment appropriations.

The main principles that guided the Council were the following :

- an adequate financing of the various EU priorities;
- a carefully controlled increase of payment appropriations;
- a respect of the existing ceilings of the Financial Framework ensuring that, where appropriate, sufficient margins are left below the ceilings of the different Headings and sub-Headings.

¹ In this context, a statement by Italy, joined by Spain and Greece, was made on multilingualism".

A summary of the outcome of proceedings is given in the table below:

(in EUR)

Heading	Council 1st reading		Difference from 2008 PDB		Difference from 2007 budget (%)		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 expenditure 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					

OTHER ITEMS APPROVED

BUDGET 2007

Draft amending to the General Budget for 2007

The Council established, by qualified majority, a Draft Amending Budget No. 5 to the general budget for 2007 as proposed by the Commission and instructed the Presidency to prepare the budget documents to be sent to the European Parliament. (11250/07)

EXTERNAL RELATIONS

EU/Lebanon Euro-Mediterranean Agreement - Enlargement

The Council adopted a decision on the signing and provisional application of a protocol to the Euro-Mediterranean Agreement with Lebanon in order to take account of the accession of ten Member States to the EU in May 2004 (11299/07, 11300/07).

The Euro-Mediterranean Agreement with Lebanon was signed in Luxembourg in June 2002 and entered into force in April 2006.
