2009 budget: first reflections on the 2009 PDB mandate for the conciliation

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The Committee on Budgets unanimously adopted the report by Jutta **HAUG** (PES, DE) on the first reflections on the 2009 Preliminary Draft Budget (PDB) and on the mandate for the conciliation, establishing a framework for discussion on the structure of the future budget of the European Union. This first programming text takes account of the changes set to take place in 2009 that will have a major impact on the budget. Some are linked to the entry into force of the Lisbon Treaty (the shift in the EP-Council balance of budgetary power in Parliament's favour) as well as the scrapping of the distinction between compulsory and non-compulsory spending. Others will follow from the 2009 European elections and the end of the present Commission's mandate.

PDB 2009: the PDB amounts to EUR 134 395 million in commitment appropriations and EUR 116 736 million in payment appropriations, leaving a margin of EUR 2 638 million under the ceiling in commitments and EUR 7 443 million in payments. MEPs note that the commitments entered in the 2009 PDB correspond to 1.04% of GNI, which is an overall increase of 3.1% compared to the 2008 budget.

MEPs also take note of the priorities set out by the Commission in the PDB, namely: (i) supporting sustainable growth and job creation; (ii) continuing cohesion policy; (iii) combating climate change, promoting renewable energies and developing an energy policy characterised by independence and security; (iv) developing a common integration policy and creating a common area of justice; (v) supporting the Middle East peace process as well as stability in Kosovo and the wider Balkan region; (vi) supporting the supply of food aid and strengthening the environmental strand of development cooperation.

General reflections: MEPs regret that the 2007-2013 multi-annual financial framework (MFF) and the Interinstitutional Agreement of 17 May 2006 (IIA) allow the available margin under heading 2 (first CAP pillar) to be used only under extremely restrictive conditions, thus preventing the EU from being able to respond flexibly in this area. However, this margin should be usable to realise the Union's new priority objectives, such as the Galileo project. On the whole, MEPs regret **the very small margins under the other ceilings of the MFF**. Furthermore, they cannot always see a clear correlation between the Commission's political priorities, as described in its Annual Policy Strategy (APS) and the PDB, and they are still not satisfied with the attempts of the Commission to include Parliament's priorities in the PDB. Once again, MEPs request a PDB that is an honest reflection of the budgetary needs to come in the following year. They therefore call on the Commission and the Council to cooperate with a view to taking the necessary decisions to reach a satisfactory level of appropriations for the 2009 budget.

Moreover, MEPs are surprised at the **extremely low level of payment appropriations** (EUR 116 736 million) proposed by the Commission, given that they amounted to EUR 126 500 million and EUR 129 100 million in 2007 and 2008 respectively.

MEPs examine each of the budgetary headings and make the following observations:

- **Sub-heading 1a**: MEPs regret the limited margin available in sub-heading 1a and therefore recommend that additional funding be made available. The proper implementation and evaluation of ongoing pilot projects and preparatory actions should be given priority, as should the Small Business Act;
- **Sub-heading 1b**: MEPs regret the sharp decrease in payments which, compared to 2008, have fallen by 13.9%. They intend to make sure that the necessary resources for cohesion policies will

remain guaranteed in order to be able to overcome the challenges to solidarity within the European Union;

- **Heading 2**: MEPs underline that only 0.5% of appropriations under heading 2 are used for environmental priorities, with the vast majority of funds going to direct aid and to market related expenditure. They recall that the primary goal of the CAP is to guarantee market stabilisation, supply security and reasonable prices for consumers. They therefore call on the EU to foresee, in the 2009 budget, the necessary means to face the new needs arising from the current **food crisis**. MEPs also emphasise the great difficulties regarding the implementation of the EAFRD (EUR 2 830 million of appropriations remained unspent in 2007 and EUR 1 361 million were carried over to the financial year 2008);
- **Sub-heading 3a**: MEPs indicate the significant increase (+15%) of this sub-heading which is mainly due to the substantial increase in the appropriations assigned to chapters "Solidarity - External borders, visa policy and free movement of people". They call for an increase in the appropriations assigned to FRONTEX in 2009 to enable it to sustain the commitment to its missions as well as to enable additional funding to fight against illegal immigration, manage legal immigration, integrate third country nationalsand strengthen border protection;
- **Sub-heading 3b**: once again, MEPs regret the small margin under this sub-heading, even though the amount of expenditure is increasing. In particular, they regret that the activities that are important for a citizens' Europe have received the smallest increase, or even suffered a decrease, compared to 2008. They also express their concern about the reductions proposed by the Commission for a number of budgetary lines under which communication activities are financed. From this perspective, MEPs recall that communication has long been an important priority for Parliament and that its role is vital, in particular in view of the upcoming European elections;

- **Heading 4**: once again, MEPs regret the small increase in this fundamental budgetary heading. They strongly condemn the vague budgeting approach chosen by the Commission which does not take at all into account the realistic needs to be expected in this area and call for **a comprehensive revision of the MFF leading to increases in the Heading 4 ceiling for the period 2009-2013**. All of the main priorities envisaged by the Commission are under financed (Balkans, Kosovo and Palestine) and no budgetary solutions have been presented for the financing of these extra needs regarding the CFSP. MEPs draw attention to the food crisis which is developing throughout the world and to the effects of climate change, and stress the need for the EU to be able to honour its commitments. While welcoming the new initiatives regarding climate change and the financing of a Global Energy Efficiency Fund, MEPs consider that the funds available are largely inadequate. They also point out that, since the institutional set-up concerning the High Representative, the President of the European Council and the European External Action Service is not yet determined, the necessary budgetary appropriations should be made available gradually as the scope and the role of the new organisational structures become clearer;
- **Heading 5**: MEPs note that the overall Administrative Expenditure proposed increases by 5% compared to 2008. While welcoming the new posts requested by the Commission, they reveal that they will scrutinise administrative expenditure in an interinstitutional context in order to investigate the needs of the institutions for 2009 and beyond. MEPs are also concerned by the Commission's outsourcing tendencies.
- **Pilot Projects and Preparatory Actions**: MEPs regret that, as a general principle, the Commission's PDB does not include any commitments for pilot projects and preparatory actions. They underline that the IIA allows for a total amount for pilot projects of up to EUR 40 million in any budget year and for a total amount for preparatory actions of up to EUR 100 million. They therefore confirm their determination to use the full annual amounts provided for in the IIA, because they consider these projects and actions an indispensable tool for Parliament to pave the way for new policies that are in the interest of European citizens.

MEPs also review the agencies and executive agencies of the Union, noting that Parliament will closely monitor their level of funding.

Conclusions and possible mandate for the Conciliation: MEPs consider the following points to be of specific interest for the budget conciliation due to take place in July:

- adequate level of payments;
- adherence to the principle of sound financial budgeting, in particular as regards a realistic picture of needs in heading 4;
- commitment by the Commission to submit amending budgets that have the mobilisation of these funds as their sole purpose in order to avoid any delay in the delivery of financial aid;
- adequate response to food aid and food security requirements;
- state of play regarding the implementation of Point 44 of the IIA and of the Action Plan towards an Integrated Internal Control Framework;
- sufficient resources for a citizens' Europe;
- provisional intentions of the budgetary authority with regard to pilot projects and preparatory actions;
- clarity of budget presentation, especially concerning administrative expenditure and human resources (including outsourcing of tasks);
- adequate budgetary provision to enable a response to the EU priorities "competitiveness for growth and employment", "combating climate change and promoting a sustainable Europe" and "making a reality of the Common Immigration Policy".

MEPs state that during the forthcoming negotiations with the Council, they will make full use of their powers under the interinstitutional agreement, including the use of the “legislative flexibility of 5%” if necessary. They highlight the importance of the principle of solidarity, arguing that it must remain one of the EU's guiding principles, particularly for regional and development policy.

Lastly, MEPs strongly deplore the custom of the Council to make across-the-board cuts at its first reading of the Union budget without any precise reasons being provided. They recall that establishing the Union budget is a political act that must fully involve the European Parliament.