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

2008/2025(BUD) - 08/07/2008 - Parliament's opinion on budgetary estimates/guidelines

The European Parliament adopted by 570 votes to 49, with 72 abstentions, a resolution on the first reflections on the 2009 Preliminary Draft Budget (PDB) and on the mandate for the conciliation of Section III of the budget (Commission).

The report, which was considerably amended in plenary, had been tabled for consideration in plenary by Jutta **HAUG** (PES, DE) on behalf of the Committee on Budgets.

The resolution 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 134 394.9 million in commitment appropriations and EUR 116 736.4 million in payment appropriations, leaving a margin of EUR 2 638.1 million under the ceiling in commitments and EUR 7 443.6 million in payments. Parliament 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 and that the payments correspond to 0.90% of GNI, which is a decrease of 3.3% compared to the budget 2008.

Parliament also takes 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: Parliament expresses its conviction that the European Union must be equipped with the level of resources necessary to fully implement its current policies and activities and at the same time to have enough flexibility to meet new policy challenges. In this context, it points out that, as a result of the very small margins under the other ceilings of the MFF, in particular in headings 1a, 3b and 4, the Union's capacity to react to policy changes in budgetary terms is extremely limited. It considers it its responsibility as budgetary authority to ensure that the funding allocated to the EU budget is spent with a view to optimising the limited resources. Parliament intends to strive for a more ambitious, balanced and coherent budget in cooperation with, and taking into account the requests of, the specialised committees. It wishes to enter into a dialogue with the Council and Commission on the use of the means provided for in the IIA to reinforce funding for measures to combat climate change with a view to a comprehensive post-2012 agreement on climate change.

Parliament cannot always see a clear correlation between the Commission's political priorities, as described in its Annual Policy Strategy (APS) and the PDB, and increases in the corresponding budget lines and policy areas. It is still not convinced that the **climate change** priority really is reflected throughout the budget as proposed by the Commission. It wishes to receive more precise information as to the methodology used to come to the conclusion that over 10% or EUR 14 billion, of the EU budget is spent on environmental targets.

Parliament states its interest in cooperating closely with the Council and the Commission to find an effective agreement on the energy and climate change package soon, including Carbon Capture and Storage (CCS) and notes that the EU needs to continue to demonstrate that economic growth and development can be reconciled with a low-carbon economy.

Parliament stresses the importance of clarity, consistency and transparency in the presentation of the EU budget. It deplores the fact that, at the moment, there is no clear indication of the exact changes made in a financial programming document newly presented compared to the previous one, nor of whether, or how, increases in a particular year are being compensated for or how back- and front-loadings are taking place. It considers this not in line with the provisions of the IIA and calls on the Commission to fulfil its obligations in this respect. It stresses that it is of particular importance to follow up the effects of front- and back-loading of multiannual programmes across the budget in order to ensure a coherent programming of commitments over the duration of the MFF.

Moreover, Parliament is 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.

The European Parliament examines each of the budgetary headings and makes the following observations:

- **Sub-heading 1a:** Parliament notes that PDB commitments for Competitiveness for Growth and Employment equal EUR 11 690 million, leaving a margin of EUR 82 million; this represents an increase of 5.5% compared to 2008. It welcomes the Commission's intention to undertake key actions in the field of job creation and support for innovation, small and medium-sized enterprises (SMEs) and research. It also intends to make sure that the necessary resources are provided (besides the Seventh Framework Programme) as energy efficiency is a key strategy for tackling the problem of climate change. It believes that, given the limited margin available in heading 1a, proper implementation and evaluation of ongoing pilot projects and preparatory actions should be the priority, but that the introduction of new pilot projects and preparatory actions has of course to remain possible.
- **Sub-heading 1b:** Parliament notes that PDB commitments for Cohesion for Growth and Employment increase by 2.5% to a total of EUR 48 414 million, leaving a margin of EUR 14 million only in the technical assistance envelope. It deplores the sharp decrease in payments which, compared to 2008, fall by 13.9% and states that it is not convinced of the reasons for the downward revision of payment level forecasts (-30% in ERDF convergence, -13% in ERDF regional competitiveness and employment, -85% in ERDF territorial cooperation and -50% in the Cohesion Fund). It states that the Commission should indicate if this sharp decrease is a direct, or indirect, result of the new Action Plan to strengthen supervision and shared management for structural actions, especially given that it could concern a lack of first level controls in the Member States. It intends to make sure that the necessary resources for cohesion policies will remain guaranteed in order to be able to deal with current and future challenges to the solidarity principle within the European Union.
- **Heading 2:** Parliament notes that PDB commitments for the Preservation and Management of Natural Resources are set at EUR 57 526 million, which is an increase of 3.5% compared to 2008, leaving a margin of EUR 2 113 million. It welcomes the increase of EUR 21 million for LIFE+, but notes with some regret that only part of this increase goes to intensified activities in the area of climate change. It calls on the EU to foresee for the budget 2009 the necessary means to face the new needs arising from the current food crisis. For rural development, Parliament notes that PDB commitments have decreased by 4% compared to 2008.
- **Sub-heading 3a:** Parliament notes that PDB commitments for Freedom, Security and Justice increase by 15% to EUR 839.1 million. Payments increase by 11.7%. It is concerned about the poor funding for the activity "Fundamental rights and justice" as well as the payments for the Agency for the Management of Operational Cooperation at the External Borders (FRONTEX).

- **Sub-heading 3b:** Parliament notes that PDB commitments for Citizenship total EUR 628.7 million, which is an increase of 1%, a tight margin of EUR 22 million. It deplores the fact that the increase proposed by the Commission under this sub-heading, covering vital policies with a direct impact on the everyday life of European citizens, is significantly lower than the average increase of commitment appropriations of 3.1%. It regrets, in particular, that especially those activities important for a citizens' Europe have received the smallest increase, or even suffered a decrease, compared to 2008. It also expresses its concern about the reductions proposed by the Commission for a number of budgetary lines under which **communication activities are** financed, particularly in the context of the tasks and new challenges in this area to be faced in 2009, such as the European elections or the possible entry into force of the Lisbon Treaty. Parliament considers that the core business of communication and information policy is to inform EU citizens on the actions and programmes realised by the EU. It states that a certain degree of harmonisation in presentation should allow for the development of a recognisable "EU trade mark" to be used in all communication measures. It recognises the need for coordination of the different communication policies implemented by the institutions and considers that Parliament's key role in this process is vital as it provides information to citizens about their rights which stem from the application of EU law.
- **Heading 4:** Parliament notes that commitments for the EU as a Global Player increase by 1.8% to EUR 7 440 million and that payments **decrease by 6.6%** to EUR 7 579 million. Parliament considers this a very ominous sign given that heading 4 is traditionally one of the most challenging areas in the Union's budget. It strongly condemns 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. It notes that, in consequence, the current margin of EUR 243.6 million seems to be a rather arbitrary figure. Parliament believes that this problem can only be addressed through a **comprehensive revision of the MFF leading to increases in the heading 4 ceiling** for the period 2009-2013. Parliament also notes that appropriations for Kosovo, the Middle East, food aid and macro-financial assistance will clearly not be sufficient to fulfil existing EU commitments in the world, let alone expected supplementary needs. It considers this unacceptable and calls for a new approach to expenditure for Palestine and Kosovo as well as for the European Union Police Mission (EUPOL) to Afghanistan. It calls urgently once again for clarification as to the total needs in heading 4, including the CFSP chapter. It repeats its conviction that neither Flexibility Instrument nor Emergency Aid Reserve must be diverted or misused to finance long-planned policies and activities of the EU. It points out with concern the growing world food crisis and the effects of climate change and underlines the need for the EU to be able to meet its commitments in respect of the supply of food aid and responding to disasters in developing countries. As regards the future European External Action Service, Parliament calls for the necessary budgetary appropriations to be made available gradually as the scope and the role of the new organisational structures becomes clearer.
- **Heading 5:** Parliament notes that the overall Administrative Expenditure proposed increases by 5% compared to 2008 and now amounts to a total of EUR 7 647.9 million (a minor margin of EUR 129.1 million). While welcoming the fact that the new posts requested by the Commission only concern the previously announced final tranche of 250 for "EU-2", Parliament notes that the proposed increase of administrative expenditure is still higher than the average for the whole budget. It reveals that it will scrutinise administrative expenditure in an interinstitutional context in order to investigate the needs of the institutions for 2009 and beyond. It considers, despite the increase in information received, and the Commission's preliminary conclusions that executive agencies enhance the quality of EU programmes, that various financial/administrative consequences on heading 5 still require further clarification. Parliament is still concerned about the Commission's outsourcing tendencies and deeply regrets the lack of transparency which concerns the employment of national experts. It intends to examine the administrative appropriations and staffing requests for the other institutions with a view to increasing efficiency gains.

Pilot Projects and Preparatory Actions: Parliament regrets that, as a general principle, the Commission's PDB does not include any commitments for pilot projects and preparatory actions, so that

these will need to be financed from the margins of the relevant MFF headings. It confirms its determination to use the full annual amounts provided for in the IIA, because it considers these projects and actions an indispensable tool for Parliament to pave the way for new policies that are in the interest of European citizens. It states its willingness to submit to the Commission before the parliamentary summer recess a first provisional list of its intentions as regards pilot projects and preparatory actions for the 2009 budget procedure.

Conclusions and mandate for the Conciliation: Parliament considers the following points to be of specific interest for the budget conciliation due to take place in July 2008:

- 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, where the EU Solidarity Fund and the European Globalisation Adjustment Fund are concerned, 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;
- the provision by the Council of quantified information about the financial implications of its above-mentioned Presidency Conclusions in accordance with the provisions laid down by the Financial Regulation, in particular Article 28 thereof; is ready to enter into negotiations, including by having recourse to all the means provided by the IIA;
- state of play regarding the implementation of Point 44 of the IIA and of point 5(N) of the Action Plan towards an Integrated Internal Control Framework (COM(2006)0009);
- 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 in line with the Bali Action Plan and promoting a sustainable Europe" and "making a reality of the Common Immigration Policy";
- commitment from the Council to improve EU information strategy in a professional way and in close cooperation with Parliament and the Commission;

Lastly, Parliament strongly deplores the custom of the Council to make across-the-board cuts at its first reading of the EU budget without any precise reasons being provided. It looks to the Council to make arrangements for genuine political dialogue with Parliament during the 2009 budgetary procedure.