

# 2009 budget: Section III, Commission

2008/2026(BUD) - 23/10/2008 - Budgetary text adopted by Parliament

The European Parliament adopted, by 509 votes to 60 against 25 abstentions, a resolution on the draft general budget of the European Union for the financial year 2009 and letter of amendment No 1/2009.

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

The European Parliament adopted the 2009 draft budget substantially higher than that adopted by Council in its July first reading. **Commitments are set at EUR 136 billion** (1.048 % of GNI), **payments are EUR 124.5 billion** (equivalent of 0.959% of EU GNI). Council had adopted a draft budget of 133.9 billion in commitments and EUR 114.9 billion in payments. With this vote, Parliament has stayed within the margins of the Financial Perspective.

MEPs deplore the fact that Council has reduced an already low-level PDB even further with a full EUR 1 771 million beneath PDB corresponding to 0.89% of GNI, bringing payments down to an unprecedentedly low level and which has even further increased the disparity between the level of commitments and payments, which is contrary to the principle of equilibrium.

Parliament calls for the ceiling for **heading 4** to be adjusted at the first opportunity to correspond to actual needs and deplore the fact that Council is not willing to budget appropriately in this way.

It also supports Letter of amendment No 1 to the PDB 2009 as adopted by the Commission as it seems to give a slightly more realistic picture of needs in heading 4 than the PDB. It regrets, however, that due to the constraints of the MFF 2007 - 2013 it is not in a position to take over new unforeseen and urgent needs such as food aid and the reconstruction needs of Georgia, Kosovo, Afghanistan and Palestine. They underline that it is only recourse to the possibilities provided for by the provisions of the Interinstitutional Agreement of 17 May 2006 (IIA) and firm political determination which is an absolute necessity to allow the EU to fulfil its commitments undertaken in the external policy area.

**Unrealistic budget:** MEPs consider that the figure adopted by Council for payment appropriations is far from being coherent with the various EU political priorities and commitments. They express their astonishment that Council can officially propose a mere 0.89% of GNI in payments, given an overall RAL of already EUR 139 000 million in 2007. In consequence, they decide to increase the overall level of payments.

**Supporting EU priorities:** MEPs have decided to accept Council's small cuts in the administrative expenditure lines of some multi-annual programmes. However, they stress that these reductions in one annual budgetary procedure must under no circumstances lead to reductions in the overall co-decided envelopes of the programmes concerned. They insist that the Commission compensate for the amounts reduced in later years of the programme period. MEPs consider **growth and employment**, the **fight against climate change** and strengthening the **safety and security of the European Union's citizens** and its **social dimension**, for instance through the growth for jobs initiative and the support for SMEs and for research and innovation, as well as by supporting cohesion amongst regions, to be important priorities of Budget 2009 and they will reinforce appropriations on budget lines financing these priorities.

MEPs also wish to increase the commitments for aid to projects of common interest in the **trans-european energy network** (in particular the Nabucco pipeline) with the aim of guaranteeing the EU's gas supplies in the long term. Generally speaking, MEPs are of the opinion that the EU budget in its present

format cannot address effectively and realistically the goals that the EU has set for climate change given the fact that the support for climate change measures is still very limited.

**Key issues – analysis by budget heading:**

**On sub-heading 1a – “Competitiveness for Growth and Employment”:** MEPs are astonished by Council's additional cuts on lines supporting the Lisbon strategy which is, after all, based on a European Council decision. They point out that the objectives of growth and employment are at the very core of the Lisbon strategy and that the Commission, in its PDB, had already decreased some lines compared to the previous year. MEPs will do its utmost to secure adequate financing for all activities and policies under this heading which can bring direct and tangible advantages for European citizens. They are prepared to use all the available margin to finance pilot projects and preparatory actions in this sub-heading. As regards the European Institute of Technology and Innovation (EIT), MEPs cannot accept the Commission's attempt to reverse the decisions taken by the budgetary authority in the 2008 budget. Therefore, they insist that the budget of the EIT be included in policy area "Research" and that its governing structure, being of an administrative nature, be financed under heading 5.

**On sub-heading 1b - “Cohesion for growth and employment”:** MEPs underline that this sub-heading finances numerous important policies and activities aimed at fighting climate change and supporting growth for jobs. They regret however, that the PDB has been cut by Council in particular as regards European Social Fund financing devoted to regional competitiveness and employment.

**On heading 2 - “Preservation and Management of Natural Resources”:** noting that the Commission has claimed that the fight against climate change is one of its priorities for Budget 2009, it considers that this priority is not sufficiently reflected in the PDB. The committee intends, consequently, to put stronger emphasis on this key policy. It proposes, for reasons of visibility, to allocate appropriations in one specific budget line solely for this purpose; will top up resources going to LIFE+ and to the European Rural Development Fund accordingly. MEPs take note of the recent proposals by the Commission on the CAP health check and defend the view that any modulation from the first to the second pillar must remain budgetarily neutral. MEPs note the creation of budget lines for three new funds in the common agricultural and fisheries policy: i) the fund for restructuring in the dairy sector, ii) the Eco-Aid to maintain sheep and goat farming in the EU, iii) the ad-hoc financial instrument – Adaptation of the fishing fleet to the economic consequences of the rise in fuel prices). They consider that these funds should primarily be financed from unused agriculture budget appropriations. MEPs welcome the setting up of the “school fruit scheme”.

**On sub-heading 3a - “Freedom, Security and Justice”:** MEPs stress the importance of sufficient funding being made available via the EU budget to manage legal immigration and integration of third country nationals while, in parallel, tackling illegal immigration and strengthening border protection, including the strengthening of the European Refugee Fund to facilitate solidarity between the Member States.

**On sub-heading 3b - “Citizenship”:** MEPs reiterate its disappointment about the low increase compared to 2008. They cannot accept that Council has cut these "citizens' lines" even further, and will make sure that adequate resources are guaranteed in this important area. They point out that it will make use of the small remaining margin in this sub-heading to finance pilot projects and preparatory actions to boost this policy area.

**On heading 4 - “EU as a global player”:** MEPs note the significant re-shuffling of funds carried out by Council in heading 4 and consider this a strong indication of the serious shortage of resources available under the MFF ceiling. They believe that the funds available do not, as they stand, allow the European Union to assume its role as a global partner. The European Council is called on not to make far-reaching political commitments in which the heads of State and government called for stronger EU financial

support to developing countries, or to commit, at the same time, to the necessary budgetary suggestions and actions when there is an obvious contradiction with the funds available under the annual ceilings of the current MFF. MEPs reiterate their assessment of the urgent need for a **massive and concrete mobilisation** of the European Union to **tackle soaring food prices** and the resulting food crisis and reiterate the need to respond in a sound budgetary way. They recall that the available margins under heading 2 cannot be spent for heading 4 purposes since the current ceiling of heading 4 does not suffice to finance the instrument without jeopardising existing priorities. It is considered that the two branches of the budgetary authority should make every effort and examine all possibilities provided for in the IIA to finance the amounts foreseen for food aid under heading 4. MEPs continue to count support for the peace process in Palestine and for Kosovo amongst its unchanged key priorities for which sufficient resources have to be entered in the EU budget. They note, however, that such an adequate level of funding might require reprogramming under heading 4, with some budgetary compensation being provided by other budget lines. MEPs support the police mission launched under the European Security and Defence Policy in **Kosovo**, however, they ask the Commission to provide a concrete plan and timetable for the European Union Rule of Law Mission in Kosovo (EULEX). As regards Georgia, Parliament intends to assist this country and calls on the Commission to present proposals fulfilling the EU's commitments (but contrary to the wishes of the committee responsible, Parliament decided by a small majority not to provide measures for Belarus at this stage). MEPs note in this connection the Commission's intention to consider the provision of up to EUR 500 million in the period from 2008 to 2010 inclusive and, if necessary, pledge these funds in connection with a donor conference for Georgia.

Parliament notes the growing importance of the Energy Community and welcomes Turkey's intention to join it. It is of the opinion that the entry of Ukraine, Georgia, Azerbaijan and Armenia into the Energy Community should be facilitated and the energy solidarity measures between its members should be developed. The report also points out that the EU priority of combating climate change has also an external component and that relevant activities, such as those in connection with the Global Climate Change Alliance, are to be financed under heading 4.

Lastly, MEPs remind the Council that the Emergency Aid Reserve is supposed to finance unforeseen emergency needs and believes not only that the appropriations on this budget line are justified but also that the deletion of these appropriations would jeopardise the EU's capacity to react properly to a possible crisis situation in the early months of 2009. MEPs therefore restore the PDB for the Emergency Aid Reserve.

**On heading 5 - "Administration"**: MEPs will, as a general principle, restore Council's cuts of PDB figures in this heading. They point out that in PDB 2009 an overall amount of EUR 1 120 million is budgeted to finance administrative expenditure outside heading 5. MEPs consider this amount quite substantial.

In an amendment adopted in plenary, Parliament underlines the fact that administrative spending continues to rise **well above the average EU level of inflation**, leading to concerns as to whether taxpayers are getting value for money. It calls on the Commission to launch a fundamental review of all aspects of administrative expenditure reporting on progress since the 2000 reforms, paying particular attention to the impact of the 2004 enlargement and the need to continue the search for efficiency savings. It requests that this review be made available by **31 July 2009**.

MEPs are also concerned about the fact that the amounts taken from operational programme envelopes in order to finance executive agencies are continually increasing and have already reached a substantial level, financing over 1300 staff in 2009. They would like to get a clearer picture of the effects of the creation of executive agencies and the ongoing extensions of their tasks on those parent Directorates General which were responsible for the implementation of the relevant programmes before the executive

agencies took over. In addition, MEPs regret the lack of consistency and coherence regularly noticeable in the communication policy implemented by the Commission and they are in favour of the development of a coherent and recognisable "EU identity" to be used in all communication measures.

**On pilot projects and preparatory actions:** MEPs recall 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 consider these projects an indispensable tool for Parliament to initiate new policies that are in the interest of European citizens. They have analysed a series of interesting proposals out of which only a small number could be entered into the Budget 2009 due to the constraints of IIA and MFF ceilings. MEPs intend to monitor closely the implementation of these projects and actions under their legal bases during the financial year 2009.

**On agencies,** Parliament welcomes the Commission's decision to finally follow the requests of the budgetary authority and take assigned revenues into account when drawing up the PDB for the decentralised agencies for 2009. It considers that this is undoubtedly a step towards more budgetary transparency even if the agencies depend to a large extent on revenue generated by fees.

Plenary welcomes the Commission's communication of 11 March 2008, entitled 'European Agencies - The way forward' (COM(2008)0135), noting, in particular, the Commission's commitment to conducting an evaluation of regulatory agencies during 2009. It requests that that evaluation pay particular attention to examining the effectiveness, efficiency and impact of the agencies' work, identifying commensurate efficiency savings within the Commission's own services as work is outsourced to agencies, and that it be completed by 30 June 2009.