2011 budget, section III, Commission: guidelines

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The Committee on Budgets adopted the report by Sidonia Elbieta JDRZEJEWSKA (EPP, PL) on the priorities for the 2011 budget – Section III – Commission, recalling that the Multiannual Financial Framework (MFF) 2007-2013 provides for an overall level of commitment appropriations (CA) of EUR 142.629 billion - representing a potential maximum increase of only 0.83% over the 2010 budget - of payment appropriations (PA) of EUR134.263 billion - an increase of 9.2% over the 2010 budget. Members note that these amounts represent only about 1% of the EU's Gross National Income (GNI).

Discrepancy between commitment and payment appropriations: Members stress that discrepancy between CA and PA in the MFF amounts to EUR 8.366 billion. Despite a gap of only EUR 6.689 billion for 2010 in the MFF, the budget that was finally adopted shows a gap of EUR 18.515 billion owing to further reductions in payments. They reiterate their concerns over increased discrepancies between CA and PA, which result in **deficits** in the long run. They stress that they will do their utmost to keep the discrepancy at a sustainable and manageable level.

Revision of the financial framework to respond to challenges facing the EU: MEPs stress that it is absolutely essential to revise the MFF in depth. They call on the Commission to submit concrete proposals to adapt the Interinstitutional Agreement on the financial framework by the end of the first half of 2010. They note that with the entry into force of the Lisbon Treaty, the strengthening of a number of EU policies will require **additional financial capacity** for the EU and call on the Commission (in the context of the mid-term revision of programmes adopted by codecision) to provide it with a detailed overview of the budgetary implications in all sections.

Priorities for the 2011 budget: in recalling how the EU has been able to respond collectively to the financial crisis with its European Recovery Plan, Members noted that the community's economic situation, nevertheless, remains unsatisfactory. In this context of economic slowdown, they stressed that some of the priorities would need to be developed and supported by the EU budget with greatest priority being accorded to citizens and their needs:

- **focus on youth**: according to Members, young people should receive special attention when defining the EU's medium-and long-term priorities. In their view, it is time to define a youth policy in the broadest sense. In this regard, MEPs insist on the development of instruments enabling the encouragement of language learning and dialogue among cultures because, among young people, it is possible to obtain a greater awareness of European issues. Efforts should also be made to facilitate their mobility;
- **capitalise on innovation:** MEPs point out that innovation and the digital agenda are essential for economic development and job creation in Europe. They therefore call for special attention to be given to new skills, including numerical skills and entrepreneurship through research. The European Union should focus its efforts on giving active support to innovative technologies, in particular green technologies that will help overcome the economic crisis, to ensuring the access of SMEs to markets and to making the EU a leading sustainable and competitive economy;
- **promote equality of opportunity:** MEPs also stress the promotion of equal opportunities and the transition from education to integration in the labour market (including through the actions of the European Social Fund). They recall that 2011 has been designated European Year of voluntary activities and stress that volunteering can help people acquire new skills and abilities, thus promoting their social integration;
- **regional development:** MEPs underline the decisive role played by SMEs in the development of disadvantaged regions at a structural level, especially in rural areas. Efforts should therefore be

encouraged in this area. They believe that the EU should provide financial incentives at all levels of government (national, regional and local) to increase benefits for all Member States;

- **support for entrepreneurship:** Members believe that support should continue for all programmes and instruments promoting entrepreneurship in rural areas, giving support to newly established firms in their start-up phase and encouraging exchanges of experiences between young entrepreneurs. In this respect, they say they will follow closely the legislative proposals to be submitted in this context by the Commission;
- **strengthen transnational cooperation:** MEPs also call for a focus on regional cooperation (including in the framework of Euro-regions) and call for more pilot projects promoting cross-border cooperation in economic, social and cultural development between regions within the European Union.

2020 strategy: Members welcome the Commission's paper on strategy for the future: "EU 2020". However, they consider that this strategy should place greater emphasis on the fight against unemployment. They stress that the 2011 budget should adopt clear and proactive measures to give more substance to the EU2020 strategy, particularly in the fields of climate change, environment and social policies. Members do not want it to be confined to vague targets, as was the frustrating experience of the Lisbon strategy. Instead, they want to make clear and ambitious financial commitments in the budget framework to ensure the success of the EU 2020 strategy and to prove that the EU is ready to take the lead on these crucial issues. They call on the Commission to take account of this commitment when adopting its draft budget.

2011 Budget Strategy: MEPs say they will use the entire arsenal offered by the IIA of 17 May 2006 to mobilise funds for the priorities identified. It could, for example, be possible to transfer **some funds** from other instruments or programmes that have not operated well in order **to fund certain priorities**. They stress, however, that funding priorities through the reallocation of funds should not undermine fundamental EU policies, such as cohesion policies, structural policies or the common agricultural policy.

Members stress that, following the entry into force of the provisions of the new Treaty, Parliament does not intend to curb its budgetary prerogatives. In regard to each of the budget lines, Members expressed the following remarks:

- **Heading 1a**: they call on the Commission to submit a progress report on the implementation of the European economic recovery plan. They stress that the priorities for 2011, in view of the EU 2020 strategy, will be financed mainly from this heading, and that the Lisbon Treaty's extension of EU competences (e.g. in **space policy** and tourism) is likely to have budgetary implications. Members also point to "lifelong education and training" as a means of strengthening youth policy. This programme should incorporate new aspects that would facilitate the establishment of a clear link between education and the labour market. They call in particular, for increased efforts to be made to enhance the mobility of young people and to promote first jobs for young people (via a programme called "**Erasmus first job**"). Further efforts are required in the field of investment in transport, in particular via the trans-European transport network (TEN-T), with special attention accorded to funding transport safety. They also cite the need to finance other crucial elements that are still pending, such as the financial supervision package and the decommissioning of the Kozloduy nuclear plant (75 million EUR in 2011) and are extremely concerned about the sharp fall in funding for this heading (down by EUR 1.875 billion compared to the 2010 budget);
- **Heading 1b:** Members, once again, stress the need to simplify the framework and the implementation of actions in the context of the cohesion and structural policies. While welcoming the considerable progress in this area, Members call for further efforts to be made in the implementation of projects. They call on the Commission to work closely with those Member States which reported a low take-up rate during the previous programming period to improve the situation. They emphasise that improving the performance and quality of expenditure should be a guiding principle to achieve the optimal use of the EU's budget;

- **Heading 2:** expressing their concern about the narrow margin in Heading 2, MEPs urge the Commission to closely monitor agricultural markets. In terms of budgetary priorities, MEPs would like to ensure that, in 2010 and 2011, the **fight against climate change** remains high on the Union's post-Copenhagen political agenda. In their view, sustainable development remains an ongoing responsibility vis-à-vis future generations. They therefore urge the Commission to provide a clear action plan and timetable for the implementation of appropriations under the EU action programme to combat climate change. They also stress that the transport sector offers great potential in the fight against climate change and urge the Commission to give priority to "decarbonisation" measures in all transport modes. In passing, they recall that the release of the reserve on this line will depend on the Commission's proposals. They call on the Commission to provide for, in the 2011 budget, the means to address the new needs arising from the economic crisis among farmers and for a report on **the measures taken to combat the dairy crisis** introduced in the 2010 budget. In addition, they consider that a permanent approach needs to be presented in this area with concrete proposals to deal with price volatility in dairy and other commodity markets;
- **Heading 3a:** reiterating their intention to maintain a level of financing commensurate with the establishment of an area of freedom, security and justice in the European Union, MEPs stress the importance of full and effective implementation, enforcement and evaluation of existing instruments in this area. It is therefore necessary to reassess the relevance of financial instruments and resources available in this area in light of the Stockholm Programme goals, for example, in the fields of migration, border control and management, data protection and anti-terrorism. In this connection, they recall that a number of programmes will soon be undergoing a mid-term review, which could require a reconsideration of the financial means allocated to them. Overall, Members feel that there is a need to **strengthen immigration policy and policy to assist the integration of immigrants** and that further efforts are required to harmonise Member States' immigration policies. Members state, moreover, that they intend to conduct a thorough review of the **transition from SIS to SIS II**, which has experienced repeated delays and uncertainties, before deciding whether to maintain the level of funding foreseen. They reserve the right to hold in reserve any funds pertaining to the migration to SIS II, pending the outcome of the analysis under way;
- **Heading 3b**: covering actions in areas such as youth, culture, people, etc., Members recall that this heading is one of Parliament's flagship priorities. They indicate that they will monitor closely the implementation of projects, both from a qualitative and quantitative perspective. They regret, however, that the ceiling for this heading in the 2011 budget has increased by only EUR 15 million compared to the 2010 budget – something that they consider to be unjustified;
- **Heading 4**: as was the case in recent years, MEPs point out, once again, the constant and almost unbearable pressure affecting the financing of the EU's activities as a global player. This is, in particular, because of the low financial margin of this heading. MEPs stress, once again, the importance of providing the Union with sufficient funds to enable it to fulfil its tasks (e.g. the CFSP budget, as planned for 2011, might prove to have been underestimated). They point to the need for a revision of the **2006 Inter-Institutional Agreement** on budgetary discipline concerning Parliament's prerogatives regarding the **CFSP/CSDP budget** under the Lisbon Treaty, including the need for new rules on the flexible use of the CFSP budget for civilian CSDP missions and the full transparency over military crisis management operations, in particular the use of the start-up fund. MEPs also point out that 2011 will be the first year that the European External Action Service (EEAS) will be fully operational. They therefore intend to give it the necessary administrative means to fulfil its mission. Members recall, in this regard, that, under the Treaty and in accordance with the common intention to strengthen Parliament's involvement in the shaping and management of the EU's external relations, it will fully exercise its scrutiny over the budget and budgetary control of EEAS. Members recall that full budgetary transparency regarding the establishment plan of the Service needs to be ensured and that its likely "sui generis" nature will probably entail the creation of a new section in the EU budget. MEPs also call for: i) additional information on the funding commitment made by the Union to support developing countries in their fight against climate change, ii) a more ambitious plan to help Haiti (with new funding sources), iii) appropriate funding for the Western Balkans and the eastern partnership, iv) appropriate financing of

accompanying measures for bananas (without resorting again to the existing, already very tight margin). Lastly, Members note that the European Union is mobilising all its resources, in addition to existing programmes, in order to support peace-building and reconstruction measures in conflict zones, namely in Georgia, Afghanistan, the Middle East and in sub-Saharan Africa. Members consider it unacceptable to substitute new priorities for existing ones;

- **Heading 5:** with a view to gaining a better understanding of the requirements of this heading, Members stressed the need to be transparent and forward-looking with regard to a number of questions with major financial implications, such as staffing requirements, pensions, real estate policy, outsourcing policy and administrative versus operational functions and trends. Regarding the salary issue, MEPs point out that the increase adopted by the Council in December 2009 was 1.85%, i.e. only half of the percentage resulting from the 'method', and that, depending on the outcome of the court case resulting from the challenge lodged by the Commission and the European Parliament, the difference, with retroactive effect, could amount to about **EUR 135 million** across all the institutions. MEPs call on the Commission to state its view as to the criteria to be applied in order to define total administrative expenditure and to continue to provide a clear description of those areas outside Heading 5. They request that all administrative expenditure be included in Heading 5.

Procedure for adoption of the 2011 budget: MEPs point out that the budgetary procedure for the adoption of the 2011 budget will be the first to be conducted entirely under the new provisions introduced by the Lisbon Treaty. They recall that the Parliament agreed, with the Council and the Commission, on transitional measures until the necessary legal acts defining the rules on these matters enter into force. They therefore await agreement with the Council and the Commission on principles and methods of organisation, preparation and operation of the Conciliation Committee in order to ensure that the budget procedure runs smoothly. In this context, Parliament's Committee on Budgets would be instructed to negotiate these principles with the Council and the Commission.