2011 budget: all sections, first version

2010/2001(BUD) - 20/10/2010 - Budgetary text adopted by Parliament

The European Parliament adopted by 546 votes to 88, with 39 abstentions a resolution on the Council's position on draft general budget of the European Union for the financial year 2011 – all sections. Overall, Parliament proposes an increase in commitments of 0.8% in comparison with the 2010 budget. Aware of the pressures on Member States' national budget, as a result of the crisis, Parliament broke with the tradition that it proposes a budget considerably higher than that proposed by the Commission.

The amounts are as follows: **EUR 130.56 billion in payments** and **EUR 143.07 billion in commitments** (in comparison with the Commission's proposal which provided for EUR 130.14 billion in payments and EUR 142.56 billion in commitments). Parliament considers, however, that an arbitrary reduction in credits would compromise the implementation of the Union's policies. This is why the reductions proposed by the Council, in the form of budget cuts, were rejected.

As far as **Section III of the budget** (Commission) is concerned, the key elements and the 2011 budgetary priorities may be summarised as follows:

A new procedure and a high-level commitment: Parliament is firmly convinced that the budgetary procedure under the new Treaty on the Functioning of the European Union (TFEU) requires **full and high-level political involvement** of all institutions concerned. It underlines that the conciliation procedure aims at reconciling the views of both branches of the budgetary authority and that the Joint Text on Budget 2011 will still have to be approved by both branches. It considers, in particular, the written procedure for the adoption of the Council's position to be particularly inappropriate for the budgetary procedure, and questionable in the absence of public and clear political endorsement by the Council at ministerial level.

A necessary "Lisbonisation" of the budget: overall, the plenary considers that the entry into force of the TFEU, which strengthens EU policies and creates new fields of competence - notably Common Foreign and Security Policy, competitiveness and innovation, space, tourism, the fight against climate change, social policy, energy policy, justice and home affairs - implies a "lisbonisation" of the budget and therefore requires that **the EU should be endowed with the necessary financial means to attain its objectives** and, therefore, requires both branches of the budgetary authority to be coherent and consistent as regards increased financial capacities.

New own resources: in an amendment adopted in plenary, Parliament recalls that, since 2007 (see resolution on the future of the European Union's own resources), it has underlined that the current system of EU own resources - where 70 % of the Union's revenue comes directly from national budgets - results in the contribution to the European Union being perceived as an additional burden on national budgets. It calls for a clear and binding timetable to be set in order to agree on a new system of own resources before the entry into force of the next post-2013 Multiannual Financial Framework (MFF). It also expresses its willingness to explore all possible avenues in that respect and recalls, once more, that the EU budget should in no way be perceived and evaluated as a simple financial item added as a burden to national budgets but, on the contrary, is to be understood as an opportunity to gear up those initiatives and investments that are of interest and of added value to the EU as a whole.

Too restricted a budget to meet the challenges: the resolution recalls that, despite consecutive Treaty changes and increased responsibilities transferred to Union level, the EU budget amounts to a modest 1% of GNI. **It opposes consequently the severe cuts adopted by the Council**. It calls on the EU institutions to define a proper mechanism to evaluate and assess the 'cost of non Europe' which would highlight the savings in national budgets generated by the pooling of resources.

Vital budget priorities to facilitate economic recovery: Parliament recalls that youth-, education- and mobility-related policies have been identified by Parliament as its most important priorities for the 2011 budget. It reiterates its firm conviction that, in a context of scarce funds and global economic slowdown, the financing of EU policies should be **closely monitored** in order to avoid any expenditure which is not driven by a clear and identifiable objective. It also emphasises that an overwhelming part of EU budget expenditures supports long-term investments necessary to stimulate EU economic growth.

A budget with no room for manoeuvre: Parliament points out that the margins stemming from the MFF do not allow real room for manoeuvre, especially in subheadings 1a and 3b and heading 4, and reduce the capacity of the EU to react to policy changes and unforeseen needs while maintaining its priorities. It also points out that the scope of the challenges the EU faces, would require means **well beyond** the current ceilings of the MFF.

It recalls, in that respect, that a substantial budget review is absolutely needed and that an immediate revision of the ceilings of the current MFF, as well as some provisions of the Interinstitutional Agreement (IIA) of 17 May 2006 on budgetary discipline and sound financial management has been **rendered unavoidable** by the various challenges and new priorities that have arisen. The plenary also recalls that the financing of its priorities and of the new policies stemming from the entry into force of the TFEU is rendered impossible by the ceilings of the current MFF. Parliament stresses that, in order to ease the negotiation on the budget within the Conciliation Committee, it has, at the price of severe compromises, proposed the financing of these policies within the ceilings. It points out, nevertheless, that this can only be managed through the **decrease of appropriations on other, specific and carefully chosen, budget lines**.

Creation of a guarantee fund: the plenary calls for the creation of a guarantee fund in the EU budget linked to the European Financial Stabilisation Mechanism. Both arms of the budgetary authority could be involved in decisions concerning the activation of this mechanism. Any possible budgetary needs linked to this mechanism should be financed through an ad-hoc revision of the current MFF 2007-13 or the IIA to ensure that sufficient involvement of the budgetary authority is guaranteed on time.

Payment appropriations outstanding: as far as the payment appropriations are concerned, Parliament refuses to consider an overall figure of the Council's position as a final target arrived at by decreasing or increasing expenditure on different lines **without in-depth assessments of the real needs**. It points out that this practice of the Council may impact on the execution rate for commitments for the same year, by slowing down the rate of signing new contracts, especially in the final quarter, therefore disturbing multiannual life cycles of the EU programmes.

More concretely, the analysis of the budget line by line is as follows:

- **Heading 1a (EUR 13.485 billion**): the Parliament reaffirms its priorities for 2011, which are youth, education and mobility and indicates that these require substantial sums. This is why it increases the appropriations relating to the related programmes as follows: Lifelong Learning Programme (+ EUR 18 million), the Entrepreneurship and Innovation Programme (+ EUR 10 million) and Intelligent Energy — Europe programme (+ EUR 10 million). It also increases the appropriations for the European Employment Service (e.g. preparatory action ‘Your first EURES job’ and compensates for these increases by cutting the fusion energy research project "ITER" by EUR 47 million;
- **Heading 1b (EUR 50.98 billion**): Parliament deplores Council's restrictive approach on payments, which were cut by EUR 1 075 million (half of which for the completion of the 2006-2010 programming period) as compared to Commission's forecasts of payment needs for 2011. These payments were already considered by the Parliament to having been underestimated. It restores Council's cuts in payment appropriations to the level of the draft budget (DB), while sticking to its

initial position that Commission and Council should present and adopt swiftly an amending budget in case payment appropriations happen not to be sufficient to cover the needs. Parliament granted an increase of EUR 2.5 million increase for the Baltic Strategy;

- **Heading 2 (EUR 59.875 billion)**: given that the CAP's primary goal should be to provide market stability, food security, fair prices revenues for farmers, Parliament calls on the Commission to provide in the 2011 budget a financial buffer for the means necessary to make access to funding uncomplicated, should the market experience volatility in 2011. It also wants a new budget line for the dairy sector (+ EUR 300 million) fund to provide support for modernisation, diversification and restructuring and to improve marketing and the bargaining position of dairy farmers in the food chain. Parliament also increased appropriations for the School Fruit Scheme and the School Milk Scheme, as well as the programme for deprived persons. It also increased appropriations for the LIFE+ Programme (+ EUR 6.7 million) and support for fisheries management (+ EUR 2 million);
- **Subheading 3a (EUR 1.139 billion)**: here, Parliament focuses on the funding of actions for the fight against violence against women and children (+EUR 2.35 million) and for prevention of terrorism (+ EUR 1 million). Due to the poor level of information on the next steps of the SIS II project presented to Parliament,it considers a reserve for appropriations to be the most appropriate means of obtaining the requested information on necessary improvements;
- **Subheading 3b (EUR 683 million)**: Parliament recalls that heading 3b includes policies which have a direct impact on the daily lives of European citizens. It increases appropriation to support the World Special Olympics in Athens (+ EUR 4 million) to the Youth in Action programme (+ EUR 3 million). The plenary also awaits the Commission's presentation of a comprehensive strategy on improved communication with EU citizens and on the creation of a European public sphere ;
- **Heading 4 (EUR 8.683 billion)**: once again, Parliament draws attention to the limited margins within which it is convinced that the role of the EU as a global player cannot be properly financed. It recalls that a review of the MFF and the revision of the ceiling of heading 4 to take into account the needs that have arisen and which could not have been foreseen in 2006 is a condition sine qua non for the manageability and sustainability of this heading. The financing of priorities can only be guaranteed through selected decreases of appropriations on a limited number of budget lines, in particular by reducing assistance to rehabilitation of Afghanistan and restoring appropriations for the Common and Foreign Security Policy at the level of Budget 2010. Parliament does not reduce appropriations for assistance to Palestine, the peace process and UNRWA even if the discrepancy between its global financial assistance and its limited influence in the region and in the Peace Process poses a problem. It reiterates its opposition to the proposed redeployment of appropriations from several instruments and programmes to Bananas Accompanying Measures and to the Instrument for Cooperation with Industrialised Countries (ICI+), the financing of which was not foreseen at the time of the adoption of the current MFF. Parliament decides to i) put part of the appropriations for environment and sustainable management of natural resources, including energy, in reserve, pending a presentation by the Commission of a politically binding document demonstrating that the 'fast start' climate finance package is truly additional, ii) initiate a mainstreamed approach on EU support to Fair Trade across budgetary titles; iii) request the creation of a specific budget line on 'Cooperation with the United States; iv) demand an increase of the financial envelope to support the Turkish Cypriot community. Concerning the establishment of the European External Action Service (EEAS), Parliament asks for an enhanced identification of CFSP and CDSP missions, in the interests of improved transparency and the facilitation of budgetary overview. Consequently, it decides to split certain budget lines in order to create separate budget lines for EUMM Georgia, EULEX Kosovo and EUPOL Afghanistan, which are the major missions conducted under CFSP/CDSP for the year 2011. The main changes are as follows: +EUR100 million to Palestine, the peace process and UNRWA, compensated by cuts in the Banana accompanying measures (-EUR 18 million), in the Cooperation activities other than Official Development Assistance (-EUR 23.5 million) and in the Common Foreign and Security Policy (CFSP - EUR 45.7 million). It should be noted that in an amendment adopted in plenary, Members

ask why payments are still being made to retired Commissioners when they subsequently have alternative employment. They request the Commission to undertake a detailed review of current procedures and submit a detailed report to Parliament by 30 April 2011;

- **Heading 5 (EUR 8.223 billion)**: Parliament rejects outright Council's general position on heading 5 expenditure, which consists in an overall reduction of more than EUR 115 million. It stresses that such a restrictive approach, while resulting in short-term savings for the EU budget and the Member States, endangers the implementation of EU policies and programmes. It restores generally the cuts made by the Council, while putting in reserve the amounts corresponding to the 1.85% salary adjustment pending the judgment of the Court of Justice on this matter. It restores the Commission's Draft budget for all other abovementioned cuts except the one in respect of conferences, meetings and committees. It considers the cuts made to the budget of the European Schools to be unacceptable. It requests the Council to adopt quickly Amending Letter No 1/2011, so that the European External Action Service can start functioning with adequate resources at the very beginning of 2011. It decides to put appropriations in reserve pending further consultation of Parliament's relevant bodies by the Vice-President of the Commission/High Representative of the Union for Foreign Affairs and Security Policy on the priorities to be realised by the resources freed by the merging of current Commission and Council structures.

As far as other sections of the budget are concerned, the resolution points to minor changes made to the budget as a result of the creation of new posts directly as a result of the entry into force of the Lisbon Treaty. The Parliament has restored some of the sums rejected by the Council in the budget for the institutions until the needs for each one are considered fully justified.

As regards the **specific budget of the European Parliament**, Parliament indicates that its budget will increase in 2011 to a bit over EUR 1.7 billion, 20.21% share of expenditure under heading 5 (administrative appropriations) of the MFF, i.e. in line with its previous resolutions to the effect that expenditure should be situated around the 20% mark. It stresses, in this respect that considerable increases of competences under the Lisbon Treaty with the resulting needs for personnel and other resources, have been absorbed into this amount (this budget has been reduced by EUR 25 million compared to the EP Bureau’s initial budget proposals). Overall, Parliament maintains its position that, in any event, **a policy of identifying savings wherever possible and the continued pursuit of reorganisation and redeployment of existing resources are crucial elements of its budgetary policy**, especially in this time of economic crisis.