2012 budget: general guidelines for the preparation

2011/2042(BUD) - 15/03/2011

The Committee on Budgets adopted the report drafted by Francesca BALZANI (S&D, IT) on the general guidelines for the preparation of the 2012 budget. The report is presented under the auspices of enhanced European economic governance, the European Semester mechanism and Europe 2020 objectives to boost growth and employment.

Members take the view that the Europe 2020 strategy should help Europe recover from the crisis and come out stronger, through smart, sustainable and inclusive growth based on the five

EU headline targets, namely:

1. promoting employment;
2. improving the conditions for – and public spending on – innovation, research and development;
3. meeting the climate change and energy objectives;
4. improving education levels;
5. promoting social inclusion, in particular through the reduction of poverty.

Members point out that some consistency must be ensured between achieving these objectives and the funding allocated to them at European and national level. They take the view that the European Semester, as a new mechanism for enhanced European economic governance, should afford an opportunity to consider how best to deliver on these five headline targets.

Members acknowledge the Council's concern about economic and budgetary constraints at national level, but recall, first and foremost, that under Treaty provisions the EU budget can not run a public deficit. They recall that, in 2009, the accumulated public deficit in the EU as a whole amounted to **EUR 801 billion**, and that the EU budget represents a mere 2% of total public spending in the EU.

Members take the view, however, that the difficult economic situation across the Union makes it more important than ever to ensure **proper implementation of the EU budget**.

Overall, Members are of the opinion that the EU budget brings added value to national public expenditure when initiating, supporting and complementing investments in those policy areas which are at the core of Europe 2020. It has an instrumental role to play in helping the EU to exit the current economic and financial crisis. The EU budget could at least mitigate the effects of current restrictive national budgetary policies while supporting the efforts of national governments. Members stress that, given its redistributive nature, lowering the level of the EU budget may harm European solidarity and have an adverse impact on the pace of economic development in many Member States. They believe that a purely 'net contributor'/' net beneficiary' approach does not take due account of spill-over effects between EU countries and therefore undermines common EU policy goals.

European 2020 Strategy, an absolute priority: Members recall that delivering on the Europe 2020 strategy's seven flagship initiatives will require a huge amount of future-oriented investment, estimated at no less than EUR 1.8 billion until 2020. They stress that one of the main objectives of the Europe 2020 strategy – namely, to promote jobs and high-quality employment for all Europeans – will be achieved only if the necessary investments in education, in favour of a knowledge society, research and development, innovation, SMEs and green and new technologies are made now and not delayed any longer. In this

context, Members call for a **renewed political compromise** combining the reduction of public deficits and debt with the promotion of such investments. They express their willingness, with a view to magnifying the impact of the EU budget and contributing to the EU's response to the economic crisis, to explore possible ways to widen existing instruments enhancing the synergy between the EU budget and EIB actions, in order to support long-term investments.

They oppose, therefore, attempts to limit or reduce budget appropriations linked to the delivery of the Europe 2020 strategy's headline targets and seven flagship initiatives. They state that it can only be credible only if adequately funded. They highlight the fact that budgetary efforts must be supplemented by concrete proposals for simplification as well as a qualitative refocusing of existing EU policies, including the CAP.

Other priority areas: Members state that 2012 budget appropriations, including in those areas not directly linked to the achievement of the Europe 2020 strategy, need to be kept at an appropriate level to ensure the continuation of EU policies and the achievement of EU objectives well beyond the duration of the current economic crisis. It is therefore necessary to endow the EU with the necessary financial means to be able to respond adequately to growing global challenges and to defend and promote its common interests and core values – like human rights, democracy, the rule of law, fundamental freedoms and environmental protection – effectively. They believe that the EU has an **important role to play in assisting and financially supporting Arab countries at this historical point in their democratic development**.

Sustainability and responsibility at the heart of the 2012 EU budget: Members note that, for 2012, the Multiannual Financial Framework (MFF) for 2007-2013 provides for:

- an overall level of **commitment appropriations** of **EUR 147.55 billion**;
- an overall ceiling for **payment appropriations** of **EUR 141.36 billion**.

They recall that these amounts are in any case considerably lower (by around EUR 25 billion in the case of commitments, and around EUR 22 billion in the case of payments) than the ceiling specified in the current Own Resources Decision.

Pointing out that the 2012 budget is the sixth of seven under the current MFF, Members believe that the two arms of the budgetary authority now have, therefore, a clearer view of the shortfalls and positive developments associated with existing multiannual programmes. The report emphasises, in this connection, that the European Parliament is determined – should it prove necessary in order to support and enhance EU political priorities as well as to address new political needs and in close cooperation with its specialised committees – to make full use of, inter alia, Point 37 of the IIA (allowing a 5% margin of legislative flexibility).

Members are once again concerned about the **recurrent under financing of certain headings of the MFF** , in particular Headings 1a, 3b and 4, as compared to the needs and EU political priorities endorsed by the Member States. They stress that recent events in several North African countries are already pointing in that direction, and invite the Commission to asses how the EU's existing financial instruments could be used to support aspirations to democracy.

They believe, on the contrary, that the various flexibility mechanisms foreseen by the IIA (such as shifting expenditure between headings or mobilising the flexibility instrument) are tools to be used fully. They expect the Council's to give its full cooperation in using them.

Members also emphasise that the strengthening of a number of policies and the new competences established at EU level following the entry into force of the Lisbon Treaty should logically imply additional financial capacity for the EU, which was hardly the case for 2011, the first year after its entry

into force. They expect the Commission to follow suit by, for example, proposing to turn successful Lisbon-related pilot projects or preparatory actions into multiannual programmes. Members reaffirm the need to examine requests for new posts carefully in relation to newly assigned tasks.

Level of payments, RAL and financing of the EU budget: Members emphasise the urgent need to address the issue of the growing level of outstanding commitments (RAL) at the end of 2010 (EUR 194 billion). They do not consider the Council's option of reducing EU budget commitments in order to decrease the level of RAL to be a sustainable solution, since this would be detrimental to the achievement of previously agreed EU objectives and priorities. A **certain level of RAL is unavoidable when multiannual programmes are implemented**. Members request therefore, that an orderly relationship between commitments and payments be maintained, and will do its utmost throughout the budgetary procedure to reduce the discrepancy between commitment and payment appropriations.

In parallel, Members share the Council's view that **realistic budgeting should be promoted**. They endorse the Council's call for the Member States to provide better implementation forecasts, notably with a view to avoiding under-implementation of the budget. The bulk of the effort in this respect should be undertaken by the Member States themselves, since the level of the Commission's draft budget is determined mainly by their own forecasts (particularly under Heading 2) and their implementation capacity. They recall that the Member States co-manage, together with the Commission, more than 80% of EU funding and that the management and control systems in some of the Member States are not fully effective.

Members are aware that the level of payments finally implemented every year sometimes entails a significant so-called 'surplus' compared with the level of payments originally agreed by the budget authority, meaning that Member States' national contributions to the EU budget are therefore decreased accordingly, and their fiscal positions improved. They do not consider the Council's concerns as to the level and timing of this 'return' relevant in addressing the sensitive underlying political issue of the financing of the EU budget. They are rather of the opinion that unspent payments from year 'n' should be carried over to the following budget year ('n+1') rather than being deducted from the calculation of Member States' national contributions.

They strongly urge the Commission, therefore, to make ambitious proposals for the establishment of **new and genuine own resources**, so as fully to provide the EU with real and autonomous financial resources, based on a comprehensive impact assessment. The Council is asked to cooperate constructively in the debate on fair and new own resources for the EU.

Administrative expenditure: Members take due account of the Commission's commitment to zero staff increase as well as its endeavour to limit the nominal increase (as compared with 2011) in administrative appropriations under Heading 5. They are aware, however, that while EU competences keep on increasing, this trend may not be sustainable in the long term and may have an adverse impact on the swift and effective implementation of EU actions. They call on the Commission to consider the long-term impact of its outsourcing policy, and of its approach of employing a growing number of contract agents, on the quality and independence of the European civil service.