2012 budget: mandate for the trilogue

2011/2019(BUD) - 15/06/2011

The Committee on Budgets adopted the report by Francesca BALZANI (S&D, IT) on **the mandate for the trilogue on the 2012 Draft Budget**.

Members recall that the European Parliament put the Europe 2020 strategyfor a smart, sustainable and inclusive growth at the centre of the 2012 EU budgetary strategy. The latter will require a huge amount of future-oriented investment up to 2020, estimated at no less than EUR 1 800 billion. Accordingly, necessary investments - at both EU and Member State level - must be made now and delayed no longer, to improve education levels, foster social inclusion, in particular through the reduction of poverty, and the development of a knowledge-based society rooted in the overall EU scientific and technological capacity.

The committee is of the opinion that the EU budget has a role to play as a leverage tool for Member States' recovery policies by triggering and supporting national investment to reinforce growth and employment. Therefore, support for youth training, mobility and employment, SMEs, research and development should be a key priority of the EU budget.

Draft budget : at the moment, the EU draft budget for 2012, as proposed by the Commission, amounts to:

- EUR 147 435 million in commitment appropriations, and
- EUR 132 738 million in payment appropriations,

representing respectively 1.12 % and 1.01% of the EU's forecast gross national income (GNI) for 2012. This proportion remains noticeably stable between 2011 and 2012, with GNI growth estimated by the Commission at no less than +4.7% in 2012 (in current prices). Members stress that this is a question of institutional credibility and coherence of the EU project when EU responsibilities and commitments keep on growing. Endowing targeted policy areas and new competencies established at EU level with meaningful and visible financial capacity is a priority.

With regard to **budgetary priorities** linked to the Europe 2020 strategy, Members note the Commission's estimate that all in all 43.5% of the DB 2012 (in commitment appropriations) contributes to the objectives of the strategy. They find this estimate positive but not sufficient. Appropriations in the EU 2012 Budget should be set at an appropriate level to ensure the continuation of EU policies and the achievement of EU objectives, particularly in the wake of the Arab Spring and the unrest in the Middle East.

The other main points Members call for are as follows: i) as requested by Parliament in its resolution of 24 March 2011, the determine political and budgetary positive and negative priorities as well as the **possibility of further savings and reallocations** including the financing of actions aiming at tackling the effects of the crisis and promoting growth; ii) **rejection of any attempt by the Council, to make horizontal cuts in the budget**, deciding on the overall level of appropriations a priori, without duly taking into account an accurate assessment of the actual needs; iii) keeping the proposed increase in payment appropriations compared to 2011 and rejecting any cuts proposed by the Council; iv) ways to **reduce the unprecedented level of outstanding commitments** (RALs). Members recall the **budgetary surplus of EUR 4.9 billion** in 2010 that will be returned to Member States and they note that this amount can make a clear difference to the EU's annual budget.

With regard to the budgetary headings, Members make the following points:

Heading 1a: Members take note of the Commission's proposal to increase commitment appropriations by 12.6% (to EUR 15 223 million) and payment appropriations by 8.1% (to EUR 12 566 million), since Heading 1a is the key heading of the MFF 2007-2013 in terms of reaching the objectives of the Europe 2020 strategy. They regret, however, that most of the increases provided under this heading for 2012 do not go beyond the mere yearly breakdown of multiannual global amounts agreed to by both Parliament and Council when these programmes and actions were adopted. They note that the Commission does not generally propose to boost the support for investments urgently needed to implement the seven flagship initiatives except for the Competiveness and Innovation Framework programme (CIP), Trans-European Transport Network and Energy network, Erasmus Mundus and Lifelong Learning. Members intend to take full advantage, where appropriate, of the 5% legislative flexibility allowed under Point 37 of the IIA, in order to further boost key and pressing investments.

Furthermore, the committee strongly reaffirms its opposition to any form of redeployment from EC FP7 since this would endanger its successful implementation and significantly reduce the implementation of the flagship initiatives of the Europe 2020 strategy. Noting, moreover, that an important part of the nominal increase in Heading 1a is linked to the additional funds of EUR 750 million required by ITER, it is concerned about the proposed EUR 100 million redeployment for ITER and the extra cuts of EUR 64 million made to EC FP7. Members demand that the Commission proposes to use all the savings (amounting in total to EUR 190 million) to be made in 2012 for the benefit of operational expenditure under the EC FP7.

Members go on to call for:

- improved funding conditions for the sustainable energy priorities, energy storage technologies and other priorities on renewables;
- strengthening the Risk Sharing Finance Facility (RSFF), to leverage investments and foster research and innovation ;
- proper financing of PROGRESS programme, SME actions, the TEN-T programme, the CIP programme, the Lifelong Learning programme given its high European added value, and other programmes relating to tourism, the fight against fraud and Galileo.

Heading 1b: recalling the decisive contribution of cohesion policy, Members take the view accordingly that, while its redistributive nature and its aim to reduce regional disparities should be preserved, cohesion policy must remain EU-wide investment policy. They note that total expenditure for Heading 1b is estimated at EUR 52 739 million in commitments appropriations, representing an increase of 3.4% compared to 2011. They welcome the 8.4% increase in payment appropriations to EUR 45 134 million. Members state they will strictly **oppose any possible decrease in the level of payments** compared to the one proposed by the Commission in its Draft Budget. At the same time, they call on the Commission to: i) collect demographic data of the beneficiaries of the cohesion policy, the European Social Fund notably, in order to monitor the real impact of the funds;; ii) keep on working closely with those Member States with a low absorption rate in order to further improve absorption on the ground; iii) continue its reflection on how to simplify the complex system of rules and requirements imposed by the EU and/or national legislation.

Heading 2: Members note that the draft budget 2012 proposes to increase commitment appropriations by 2.6% to EUR 60 158 million and payment appropriations by 2.8% to EUR 57 948 million as compared with Budget 2011, which increases remain below the increase proposed by the Commission for the budget as a whole. They underline the fact that market interventions remain almost stable compared with Budget 2011, while price volatility and the instability of certain markets continue to affect the agricultural sector. The committee asks the Commission to develop concrete proposals for dealing with price volatility. It notes that the traditional agricultural amending letter to be presented in Autumn 2011 will adjust the current estimates to a more precise assessment of the real needs. Members call for the following: i) further

reduction of export refunds; ii) strengthen actions on food and sustainability as two of the main challenges for the CAP; iii) strengthening of programmes on LIFE and water protection and the preservation of biodiversity in other policies,; iv) adequate financing of the Common Fisheries Policy and, in particular, combating Illegal, Unreported and Unregulated fishing.

Heading 3a: Members note the overall increase in funding proposed in the draft budget 2012 compared to Budget 2011 for actions encompassed under this heading (+17.7% in commitments appropriations, +6.8 % in payment appropriations). These increases are mostly linked to three of the four Solidarity and Management of Immigration programmes, but the increases are simply the result of the yearly breakdown of multiannual global amounts agreed upon by both Parliament and Council when these programmes and actions were adopted. In this context, Members wonder whether the draft budget presented by the Commission constitutes an appropriate and updated answer to the current challenges facing the EU, not least in the context of the ongoing events in the Southern Mediterranean, the management of legal migration and slowing down of illegal migration, and the need for sufficient funding to handle emergency situations in a spirit of full respect of internal protection rules and human rights. They call to strengthen FRONTEX and the Refugee Fund.

Heading 3b: the committee deeply regrets that overall appropriations under this heading are down for a third consecutive year, with commitment appropriations being reduced by 0.1% (to EUR 683.5 million) and payment appropriations by 0.3 % (to EUR 645.7 million) as compared to the 2011 Budget (excluding the EU Solidarity Fund), leaving a margin of EUR 15.5 million. It takes due note of the Commission's proposal to increase by EUR 8 million, as compared to the initial financial programming, the 2012 allocations for Youth in Action but regret that similar efforts are not being proposed for programmes such as MEDIA and Culture 2007, that the Commission has not proposed any specific measure in favour of sport, and deplores the decrease in the Civil Protection Financial Instrument's funding. Members recall that, in order to ensure transparency and full involvement of the European Parliament and its Members, European Public Spaces need to have their own separate line. They regret the Commission proposal to empty this line and to merge the EPS allocations with the Commission Representations' line and underline that Parliament will not accept any attempt to change the will of the budgetary authorities in this matter.

Heading 4: Members note that the commitment and payment appropriations requested in the draft budget 2012 have increased by 2.9% and 0.8%, as compared to the 2011 Budget, to EUR 9 009.3 and EUR 7 293.7 million respectively (account being taken of the Emergency Aid reserve). They are convinced that a concrete effort must be made to make optimal, coordinated use of all European instruments available and Member State actions. Flexibility in the programming and implementation of the EU instruments must be further improved to allow an adequate and effective response to political and humanitarian crises in third countries. It is the EU's duty to respond adequately to recent political developments in Mediterranean neighbouring countries and to provide support and assistance to movements fighting for democratic values. Members reiterate however that reinforcement of financial assistance to these countries must not be detrimental to priorities and instruments for the benefit of neighbouring Eastern European countries. They are concerned that the proposed margin of EUR 246.7 million may be insufficient to address the new needs under Heading 4. They regret the Commission's proposal to cut funding for the cooperation with developing countries in Asia and Latin America and call for adequate funding. Members strongly oppose the other decreases, amounting to EUR 78 million overall, made to DCI geographical programmes, and will firmly reject any systematic, quasi-automatic and sometimes unconsidered cuts by the other branch of the budgetary authority in administrative expenditure under Heading 4 for the sole sake of decreasing appropriations.

Heading 5: the committee notes that total administrative expenditure for all institutions is estimated at EUR 8 281 million, representing an increase of 1.3% as compared to 2011. It notes the letter from the Commissioner for Financial Programming and Budget of 3 February 2011 committing to an increase in Heading 5 expenditure below 1% and no new staff as compared to 2011. Members underline that the European Parliament has succeeded to reduce its own estimates by around EUR 50 million compared to

the first proposal of preliminary draft estimates. Members feel however, that any further cut to 2012 administrative appropriations might have an adverse impact on the implementation of programmes. They emphasise that while EU competences keep on increasing, this trend is not sustainable in the long term and will have an adverse impact on the swift, regular and effective implementation of EU actions and programmes. They acknowledge the Commission's efforts not to request any additional posts and ask for further information on posts needed to ensure the appropriate monitoring of Member States' economic and financial situation within DG ECFIN. Members note the 4% increase in expenditure on pensions (as against +5.2% from 2010 to 2011) in view of the wave of retirements of officials and will carefully scrutinise the proposed overall 1.7% increase for the European Schools, which is below that foreseen in the financial programming.

Pilot projects – preparatory actions, and agencies: the report stresses that pilot projects (PPs) and preparatory actions (PAs) are key tools for the formulation of political priorities and for paving the way for new initiatives. They intend, therefore, to support by all possible means its proposals regarding pilot projects and preparatory actions for the 2012 Budget. Members stress that EU agencies' budget allocations are far from consisting in administrative expenditure alone, but disapproves again of the use of assigned revenue to reduce the EU Budget contribution to fee-dependent agencies, which is used by the Commission to increase margins artificially.

Lastly, the report considers the following issues to be of specific interest for the **trilogue due to take place on 11 July 2011**:

- 2012 EU budgetary allocations in support of the EU2020 strategy;
- overall level of payments in the 2012 Budget and outstanding RAL;
- proposal for a revision of the current MFF 2007-13 to address additional financing needs of the ITER project;
- financial sustainability and manageability of heading 4 in 2012, particularly in view of forthcoming amending letter to address the democratic transition in Southern Mediterranean;
- outstanding issues related to Budget 2011.