

2012 budget: all sections

2011/2020(BUD) - 11/10/2011

The Committee on Budgets adopted the joint report drafted by Francesca BALZANI (S&D, IR) (section III – Commission) and José Manuel FERNANDES (EPP, PT) (other sections) on the draft general budget of the European Union for the financial year 2012 as modified by the Council – all sections and Letters of amendment Nos 1/2012 and 2/2012.

As regards Section III of the budget, the key elements and the budget priorities for 2012 may be summarised as follows:

Europe 2020 Strategy and investments: Members recall that the implementation of this strategy will require a huge amount of future-oriented investment up to 2020, estimated at no less than EUR 1 800 billion by the Commission in its communication entitled '[The EU Budget Review](#)'. Necessary investments - at both EU and Member State level - must be made now and delayed no longer. Members recall that, in order to help Europe recover from the crisis and come out stronger, the Europe 2020 strategy for a smart, sustainable and inclusive growth must be at the centre of the 2012 EU budgetary strategy for 2012. They are however deeply concerned that the current crisis has resulted in a drop in public investment in some of these areas because of the adjustments that Member States have made to their national budgets. Members call for this trend to be reversed and firmly believe that investments need to be guaranteed both at EU and national level.

Members are of the opinion that the EU budget has a significant role to play as a leverage tool for Member States' recovery policies by triggering and supporting national investment to reinforce growth and employment and should be used as such. They emphasise that this is fully in line with the dynamics of the European Semester, which, as a new mechanism for enhanced European economic governance, aims at increasing consistency, synergies and complementarities between the EU and the national budgets in delivering on the jointly agreed Europe 2020 goals. They reiterate 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. Members also reiterate the complementary nature of the EU budget to national budgets and the impetus it creates to promote growth and jobs and underline that given its very nature and limited size it should not be checked and curbed by arbitrary reductions but on the contrary targeted areas need to be reinforced.

The report points out that the margins stemming from the Multiannual Financial Framework (MFF) do not allow real room for manoeuvre, especially in subheading 1a and heading 4, and reduce the capacity of the EU to react to policy changes and unforeseen needs while maintaining its priorities. However, the scope of the challenges the EU faces, would require means well beyond the current ceilings of the MFF. Members recall, in that respect, that the mobilisation of the instruments foreseen in the Interinstitutional Agreement (IIA) of 17 May 2006 has been rendered unavoidable by the various challenges and new priorities that have arisen, such as the Arab Spring this year and the need to give a strong impetus to the implementation of the EU 2020 strategy.

Council's position: Members regret **Council cuts to Commission's Draft Budget (DB)** by EUR 1.59 billion in commitments (-1.08%) and by EUR 3.65 billion in payments (-2.75%), which lead to overall amounts of:

- EUR 146.25 billion in commitments (or +2.91% as compared to 2011 Budget) and

- EUR 129.09 billion in payments (+2.02%) - to be compared to respectively +4.03 and +4.91% as per Commission's DB (including Amending Letter No 1/2012).

The Council proposed cuts for several hundreds of budget lines, while proposing no single reinforcement. The report points out at the inconsistencies of some of these cuts compared with the positions taken recently by the Council, such as the cuts it has made in the draft budget 2012 on the budgetary lines of the newly created agencies for financial supervision the creation of which it has pushed for but for which it does not seem willing to provide the necessary financial means to operate satisfactorily. Members deplore that Council made 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 for the achievement of the Union's agreed objectives and political commitments, nor the priorities by the Parliament, as presented in its abovementioned [resolution of 23 June 2011](#) on the mandate for the trilogue.

They note that the low level of payments proposed by Council would lead to a bigger discrepancy between PA and CA, mechanically resulting in an **increase of RALs** at year end, particularly in subheadings 1a and 1b.

Parliament's budget proposal: Parliament sets the overall level of appropriations to EUR 147 766.52 and 133 143.18 million in respectively commitment and payment appropriations. It also emphasises that the proposed increase in appropriations for a selected number of budget items serves both short- and long-term strategies for the future of the EU. It decides to restore most payment appropriations to DB levels, all the more so because Council cuts in payments also affect areas and budget lines falling under EU 2020 objectives, particularly in Headings 1a and 1b.

As regards each of the budget headings, Members state the following:

On Heading 1a: Members regret that the Commission and the Council do not generally propose to boost – beyond what was originally planned – the support for investments urgently needed to implement the **seven flagship initiatives**, and note that they are regrettably inclined to postpone the necessary big leap in terms of common financial effort to the post-2013 MFF. Members propose some targeted increases over the draft Budget of the Commission in some key areas, namely competitiveness and entrepreneurship, research and innovation, education and life long learning.

On the issues under this heading, Members state the following:

- strong opposition to any form of redeployment from FP7 like proposed by the Commission as part of the ITER financing package and therefore restores FP7 to financial programming figures by adding the EUR 100 million to the budget lines cut by the Commission;
- restores the bulk of payments cuts brought on FP7 lines by the Council (EUR 492 million), as a matter of avoiding any risk of non implementation of existing legal obligations, which could lead to additional costs due to late interests to pay;
- increase the level of commitment appropriations for selective lines of the FP 7 (Capacities - Research for the benefit of SMEs, Cooperation - Energy, Ideas, People, Research related to energy);
- further increase the overall level of commitment appropriations for the Competitiveness and Innovation Framework programme (CIP - Intelligent energy and CIP - Entrepreneurship and Innovation) compared to what was initially foreseen, as a matter of delivering on the flagship initiatives of the Europe 2020 strategy (this increase will contribute to improving the access of SMEs to this programme and to developing specific programmes and innovative financial mechanisms);
- an important increase of commitment appropriations for the Lifelong Learning programme, given its high European added value and also because of its strong contribution to the flagship initiatives 'Youth on the Move' and 'Innovation Union';
- further increase in commitment appropriations for the Erasmus Mundus programme;

- restore DB payments for the European Globalisation Adjustment Fund (EGF) line and reiterates its call for further improvements in the procedure of mobilising the EGF, in order to accelerate assistance on the ground;
- **mobilisation of the Flexibility instrument** for an amount of EUR 30.75 million under subheading 1a.

On Heading 1b: Members deplore Council's restrictive approach on payments, which were cut by some EUR 1 300 million as compared to Commission's forecasts of payment needs for 2012. They note that only the convergence objective and the technical assistance lines remained untouched by the cuts of Council. These cuts apply to budget allocations that were already far below Member States' own estimates (EUR 61 billion for 2012 or some 50% above DB) and widely considered as being the bare minimum for honouring upcoming payment claims and be consistent with the speeding up of implementation at the end of the programming period. Members are convinced that this attitude of the Council is all the more unacceptable since the European Commission has recently made some concrete proposals to boost payments of structural and cohesion funds in those countries most affected by the current financial and economic crisis. They restore Council's cuts in payment appropriations to the level of DB.

On Heading 2: Members generally restore Council's cuts under this Heading to a level EUR 60 457.76 million, which is 3.07% above 2011 Budget. This approach is more realistic than the Council's proposals, in particular against the current background of great economic uncertainty and of instability in the markets. They underline that the prevention and response mechanisms with relation to crises in the fruit and vegetable sector are clearly insufficient and therefore an immediate solution needs to be found until the new CAP is in place. They urge the Commission to present a concrete proposal to the European Parliament and the Council to ensure a sufficient increase of the Union's contribution to the crisis fund within the operational funds for producer organisations and call for this increase to serve for specific measures for the producers affected by the E. coli crisis and to prevent future crises.

Members **maintain the budget allocation dedicated to the Food Distribution Programme for the Most Deprived Persons in the EU** that supports 18 million people with problems of malnutrition within the Union. They call on the Council to endorse without any delay this proposal. They also provides for a continued support on a commensurate level for the LIFE+ programme.

On Heading 3a: Members call for an appropriate and balanced answer to the current challenges in the area of migration and solidarity. They call for a balanced increase of budget appropriations over the Draft Budget for, on one hand, both Frontex and the European Asylum office, in view of their increasing tasks and, on the other hand, the European Refugee Fund. They restore moreover to DB level commitment appropriations for both the European Return Fund and the External Borders Fund. They intend, by restoring the Draft budget appropriations for the prevention of crime and the prevention of terrorism in line with financial programming, to further advance the increasingly needed cooperation in areas such as a European cyber-security strategy, or confiscation of assets of criminal organisations.

On Heading 3b: Members intend to further increase funding for the "Youth in action" programme. They reject any further cut on the Civil Protection Financial Instrument's funding since the draft budget is already below Financial programming and civil protection is a new competence of the EU and consequently restore the draft budget amounts. They decide to hold in reserve part of Communication appropriations until Commission demonstrates its willingness to improve interinstitutional collaboration in this respect. They set a number of reserves to receive specific assessment reports and a formal commitment for enhanced inter-institutional cooperation.

On Heading 4: Members recall that this year even more than in the past, Heading 4 of the EU Budget 2012 is underfinanced and the margin available under the same heading is too low to cope with the increased political challenges in our neighbourhood and worldwide. They welcome the reinforcement of appropriations for the Neighbourhood Instrument, as proposed in Amending Letter n°1/2012, as in line

with its support to a clear and consistent EU response to recent political and social developments in Southern Mediterranean and the added value to the external dimension of the EU's home affairs policies and macro-regional strategies. They reiterate nevertheless very clearly that **such a financial assistance can in no way be detrimental to existing priorities.**

They consider that, in order to facilitate an agreement in conciliation with the other branch of the budgetary authority, **decreases in commitment appropriations can be agreed upon on several budget areas**, and especially on Common Foreign and Security Policy. Moreover, they believe that the increased funding for Palestine and UNRWA it proposes is crucial for better ensuring the safety and livelihood of refugees and current efforts to ensure a viable Palestinian state. They call again for a clear strategy for Palestine, linking the European Union's financial assistance to an increased political role for the EU in the peace process in relation to both parties in the conflict.

Members regret that all needs and limited priorities carefully identified by its specialised committees could not have been financed within the ceiling of the MFF for the heading 4, and consider its reading as the **minimum required** for a credible stance of the EU as a global player. They propose in that regard to the other branch of the budgetary authority the mobilisation of the Flexibility instrument for an amount of EUR 208.67 million under heading 4.

On Heading 5: Members reject Council's general position on heading 5 expenditure, which consists in an overall reduction of some EUR 74 million, among which EUR 33 million for the Commission, resulting from across the board cuts in each institution's budget. 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, ultimately to the detriment of citizens and with a deferred negative effect on national budgets. The other institutions should be provided with adequate resources to carry out their tasks, especially after the entry into force of the TFEU.

They decide to restore all Heading 5 expenditure given the efforts made by this institution to freeze its needs in nominal terms.

Other sections

The report recalls its position calling on every institution to make all possible efforts towards limiting expenditure increase below 1 % compared to 2011. Recognising the efforts that were made by all institutions, Members note that the administrative and operating expenditure budget from all institutions represents 5.59% of the global EU budget, of which heading V having a margin of EUR 497.9 million. They reaffirm that savings measures cannot jeopardize payment of salaries and pensions, maintenance of buildings and security as institutions must have the minimum and the necessary to operate.

Section I - European Parliament: Members point out that the current voted actualisation of the budget 2012 is 1.44% compared to 2011. They expect that the final actualisation of the budget 2012 is therefore 1.9% (including Croatia) after conciliation committee. This is the lowest actualisation since 12 years because without the expenses for Croatia accession and the 18 new MEPs following the Treaty of Lisbon, this figure would only be 0.8%. Due to the current inflation rate, there is a real decrease of the budget 2012. They point out that the overall level of its 2012 Budget is EUR 1 710.1 million (including 18 MEPs Lisbon Treaty).

The report reiterates that the savings expected from the budget lines for translation and interpretation can **not harm the principle of multilingualism** in the European Parliament and during the dialogues between other institutions. It asks the Bureau to create conditions for making savings of 5% in all kind of travel expenditure including delegations of committees and interparliamentary delegations in full respect of the Statute for Members and its implementing measures.

Members maintain their 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. The cuts which the Parliament has accepted will force to do structural changes, which will not endanger the legislative excellence of the Parliament.

The report notes that the general expenditure allowance is frozen at 2011 level and that a number of reserves have been proposed during the Parliament's budgetary negotiations.

As regards buildings and communication and information policy, the report believes that the Parliament's building policy requires careful analysis and that the administration should continue to develop buildings policy in cooperation with the committee on Budgets. It requests therefore to be kept informed on a regular basis on new developments for building projects with a significant financial implications for the budget, such as e.g. the KAD building; the **House of European History** and building /acquisition projects at the Parliament's places of work. It believes that the project of the House of European History requires an active cooperation and financial contribution of other institutions and welcomes the Commission's commitment to contribute substantially to the project. Members request to be informed as soon as possible on the building project.

As regards the other institutions (Court of Justice, Court of Auditors, European Economic and Social Committee, Committee of the Regions, European Ombudsman, European Data Protection Supervisor, European External Action Service): Members recover part of the amounts specified in the budget proposals to enable the institutions to function efficiently.

Members make the following recommendations as regards the following institutions:

- **EDPS:** Members have taken a different view of the Council and accepted the creation of two additional permanent posts in the EDPS' establishment plan because of the new tasks for this institution conferred to it. They accept in order to comply with legal obligations the upgrading of its director, although the total staff of the EDPS is 43 posts;
- **EEAS:** Members note that the EEAS as a new organisation which represents a major European ambition needs to be **endowed with sufficient means**. They call on the EEAS to exert restraint when it comes to the future creation of high-ranking posts. They believe that one way of achieving this could be to replace progressively Seconded National experts posts by permanent posts for Member States' civil servants. They stress that the operational requirements for establishing the EEAS with its own information technology systems in a new building need to be funded. Lastly, Members are concerned by the Council's position to cut the EEAS' draft budget for 2012 to +2.25% and have taken a prudent approach on increases in view of the overall financial context and accepts only partly the EEAS' requests. They, on the other hand, accept the requested amendments to the EEAS establishment plan, notably with a view to reinforcing delegations.