

2013 budget: mandate for trilogue

2012/2016(BUD) - 26/06/2012 - Committee report tabled for plenary, single reading

The Committee on Budgets adopted the report by Giovanni La Via (EPP, IT) on the mandate for the trilogue on the 2013 Draft Budget.

Draft budget for 2013 – general assessment: Members recall that in its resolution of 14 March 2012 Parliament placed the promotion of growth and jobs at the centre of its priorities, in line with the Europe 2020 strategy, arguing in particular for the concentration of resources in support of SMEs and youth.

Recognising the persistent economic and budgetary constraints at national level, as well as the need for fiscal consolidation, Members reiterate their conviction that the EU budget represents a common and effective instrument of investment and solidarity, which is needed particularly at the present time to trigger economic growth, competitiveness and job creation in the 27 Member States. Despite its limited size, not exceeding 2 % of total public spending in the Union, the EU budget has had a real economic impact. Accordingly, **Members intend strongly to defend an adequate level of resources for next year's budget**, especially for policies delivering growth and employment. They believe that the EU budget should not be the victim of unsuccessful economic policies at national level.

In terms of priorities, the committee believes that resources must be concentrated on those areas where the EU budget can deliver added value, whilst they could be reduced in sectors which are experiencing unjustified delays and low absorption. It considers that real savings can be made by identifying overlaps and inefficiencies across budgetary lines. It asks the Commission, to this end, to provide both arms of the budgetary authority with prompt, regular and complete information on the implementation - on the basis of performance target indicators - of the various programmes and initiatives', and to weigh them against the EU's political commitments.

Budget 2013: Members note that the EU draft budget for 2013 proposed by the Commission amounts to:

- EUR 150 931.7 million in commitment appropriations (CA) (i.e. +2 % compared to the 2012 budget) and
- EUR 137 924.4 million in payment appropriations (PA) (i.e. +6.8 % compared to Budget 2012).

These amounts represent respectively 1.13 % and 1.03 % of the EU's forecast GNI for 2013. Noting the ongoing discrepancy between the levels of commitment and payment appropriations, Members stress that this will result in a further increase of *reste-à-liquider* (RAL).

The committee understands that the Commission proposes freezing commitment appropriations at the level of the estimated inflation rate for next year, but feels that this cannot be considered an acceptable strategy for keeping the level of RAL under control.

The report also makes the following points:

- Members view the proposed increase of 6.8 % in PA compared to 2012 as an initial response to Parliament's call for responsible and realistic budgeting;
- they remain sceptical as to whether the proposed level of payment appropriations in 2013 is adequate to cover the actual needs for next year, especially in Headings 1b and 2, warning also that the insufficient level of payments might not be sufficient to honour the claims being addressed to the Commission, and could then result in billions of decommitments for cohesion policy alone;

- they note a significant number of legitimate claims, notably in the field of cohesion policy, could not be paid out and will also need to be covered by the 2012 budget, requiring the Commission to come up with a draft amending budget in order to rectify this situation, and to avoid shifting 2012 payments to the following year, since this would create an unsustainable level of payments in 2013;
- they deplore the Council Presidency's reluctance to participate in the interinstitutional political meeting on payments proposed by Parliament as a follow-up to last year's budgetary conciliation, which behaviour is seen as an irresponsible attempt to ignore the lack of payments issue and the question of RAL;
- they stress that any reduction in the level of payment appropriations below that of the Commission proposal would also result in a further increase in the outstanding commitments (RALs), which at the end of 2011 **already reached the unprecedented level of EUR 207 billion** and reiterate the call on the Council to refrain from making artificial cuts by deciding on the overall level of payments a priori, without taking into account the assessment of actual needs.

Taking note of the overall margin of EUR 2.4 billion in CA in the DB 2013, the committee states its determination to make full use of it - as well as of the other flexibility mechanisms foreseen by the IIA - whenever it proves to be necessary. It also notes that no appropriations have been entered in the draft budget for the accession of Croatia in July 2013, and asks for the necessary amounts to be provided.

Members make the following comments on the separate budget headings :

Heading 1a: they note the Commission's proposal for increasing commitments under this Heading by 4.1 % (to EUR 16 032 million) as compared to the 2012 budget. They are pleased to see that the highest increases in CA are concentrated in Heading 1a, where most of the policies and programmes triggering growth, competitiveness and jobs are placed, and that they reflect the priorities highlighted by Parliament for 2013: the increases for FP7-EC (+6.1 %), CIP (+7.3 %) and TEN-T (+6.4 %) programmes. Furthermore, Members consider the substantial increase in payments, by 17.8% (to EUR 13.552 million) as compared to the Budget 2012 a realistic estimation of the payments needed under this heading, stating that the level of payments proposed by the Commission to be the minimum level needed under Heading 1a.

Taking note of the rationale adopted by the Commission when proposing reductions as compared to the financial programming, Members ask for increased resources for SME's which created 85 % of jobs in the last ten years. They ask for measures that will facilitate access to debt and equity financing for innovative SMEs.

They deeply regret that, at a time of economic crisis and especially of high youth unemployment the appropriations for the PROGRESS programme have been reduced by EUR 5.3 million compared to the financial programming, thus being brought back practically to the 2012 levels, despite the good performance of this programme so far. The committee also deplores the fact that not even in the last year of the current MFF has the Commission seized the opportunity to reinstate under this programme the EUR 60 million redeployed in favour of the Progress Microfinance Facility. It regrets that the contribution to the Youth on the Move Flagship Initiative is slightly reduced compared to last year, and **opposes, therefore, the proposed reduction by EUR 10.2 million as compared to the 2012 budget** for the Lifelong Learning Programme.

Stressing the role of the TEN-T programme for meeting the goals of adaptation to climate change, Members welcome the Commission's proposed increase of approximately EUR 85 million compared to the 2012 budget, but asks for further clarification on the proposed reduction by EUR 118 million as compared to the financial programming. They stress generally that innovative solutions are urgently required in order to mobilise private or public funds to a greater extent and extend the range of financial instruments available for infrastructure projects. They deplore the Commission's proposed cuts for the European Supervisory Authorities, compared to what was originally envisaged in the financial

programming, and consider the current level of appropriations insufficient to allow those agencies to cope efficiently with their tasks.

As regards ITER, Members are concerned that the Commission proposes to finance this additional amount only through redeployment from lines of the FP7 programme, contrary to Parliament's long-standing position on the matter.

Heading 1b: the committee notes that the DB 2013 provides for an increase in CA of 3.3 % (to EUR 54 498 million) compared to the 2012 budget, of which EUR 42 144 million are for the Structural Funds (ERDF and ESF) and EUR 12 354 million for the Cohesion Fund. It stresses that cohesion policy has long proved its added value as a necessary investment tool to deliver growth and job creation effectively by accurately addressing the investment needs of the regions, thus contributing to economic recovery and the development of the Union as a whole. Members welcome, therefore, the Commission's initiative of reprogramming where possible EUR 82 billion of unallocated Structural Fund moneys in some Member States in favour of SMEs and youth employment, in line with Parliament's priorities for 2013.

However, they are extremely concerned over the payment situation of cohesion projects under this Heading, and note that two-thirds of the total level of RAL at the end of 2011 (i.e. EUR 135.8 billion) reflects unpaid projects under cohesion policy. They recall that at the end of 2011 **the Commission was unable to reimburse some EUR 11 billion corresponding to legitimate payment claims submitted by project beneficiaries due to the insufficient level of payment appropriations provided in the budget.** This has led to a considerable payment backlog, which will have to be addressed through the availability of sufficient payment appropriations in 2012. The committee firmly points out that it will not accept a recurrence of this situation in 2013.

Accordingly, Members call on the Council and Commission to immediately analyse and assess, along with Parliament, the figures and requirements concerned, so as not to jeopardise implementation for 2013, pointing out that a lack of payment appropriations could endanger currently well-functioning programmes. They consider therefore as a minimum the proposed increase in payment appropriations by 11.7 % (to EUR 48 975 million) as compared to last year. They stress that **this increase in payments is only a first step to cover the actual needs** of running projects, and call on the Council and Commission to carefully evaluate the real needs in terms of payments for 2013 under Heading 1b, stating that they will oppose any possible cut in the level of payments compared to the proposal included in the DB 2013.

Heading 2: Members note that the DB 2013 proposes to increase CA by 0.6 % (to EUR 60 307 million) and PA by 1.6 % (to EUR 57 964 million) as compared to the 2012 budget (these levels remain below the increase proposed by the Commission for the budget as a whole). They note that the proposed funds for market interventions are EUR 419 million less for 2013 than in the 2012 budget. They also stress that the appropriations for Heading 2 are lower than the estimated needs, since assigned revenues to the EAGF are estimated to be higher in 2013 than in 2012. They recall that an adjustment of the current estimates on the basis of actual needs will be made in the autumn through the agricultural amending letter. Members note the proposed slight increase of CA - by 3.3 % to EUR 366.6 million - for LIFE +, but regrets that the appropriation is EUR 10.55 million below the level of the financial programming of January 2012. The committee welcomes the amounts proposed by the Commission for the food distribution programme for Most Deprived Persons (MDP) and considers it important to maintain the financial support for the common fisheries policy (CFP) with a view to its imminent reform.

Heading 3a: Members note the overall increase in funding proposed in DB 2013 - EUR 1 392,2 and 928 3 million in commitments and payments respectively - compared to the 2012 budget. They stress the need : (i) to reinforce appropriations for cybersecurity in the IT sector ; (ii) to continue support for FRONTEX, as well as for the various recently created agencies under this heading ; (iii) to take note of the significant increase in commitments and comparatively low level of payments for SIS II. Members recommend maintaining a substantial part of the budget for SIS II in the reserve until its operational progress and

compliance with the financial planning have been justified. They appreciate the increase proposed by the Commission for the European Refugee Fund and reiterate their request for an appropriate and balanced answer to the challenges of legal migration and slowing-down of illegal migration.

Heading 3b: Members deplore the fact that again for 2013 the overall appropriations under this Heading, compared to 2012 budget, are to be reduced, with a cut in CA of 1.2 % (EUR 26.8 million) and in PA of 0.4%, excluding the Solidarity Fund. They welcome the increased funding in 2013 for the Youth in Action programme and the increase in commitments compared to the 2012 budget for the Culture

programme (+1.4 %), Media 2007 (+1.1 %) and Union action in the field of health (+3.1%), but regrets the cuts in appropriations compared to the 2012 budget for the Europe for Citizens programme - especially during the European Year of Citizens – as well as for Union action in the field of consumer policy and Media Mundus. They also regret the decreased volume of commitments for communication actions compared to the 2012 budget, at a time when the gap between the European Union and its citizens is more evident than ever.

Heading 4: Members note that the commitment and payment appropriations presented in the DB 2013 mark an increase of 0.7 % and 5.1 %, as compared to the 2012 budget, to EUR 9 467.2 and EUR 7 311.6 million respectively. They point out that these increases remain below that proposed by the Commission for the budget as a whole. Noting the significant increase of EUR 272.3 million in the proposed margin for Heading 4 compared to the financial programming for 2013 which reflects the net effect of the increase in commitments for ENPI, ICI and ICI + and decreasing the growth in commitments for the Guarantee Fund, the Instrument for Pre-Accession Assistance, macro financial assistance, the Development Cooperation Instrument, and the Instrument for Stability, Members call on the **Commission to provide sufficient explanation as to why such a significant scaling-down of some programmes was needed compared to the financial programming.** They regret, in particular, the ongoing decrease of appropriations in the field of development cooperation. They wonder how this is compatible with the EU's international commitments in terms of allocating, by 2015, 0.7 % of GNP to the Millennium Development Goals. They call on the Commission to ensure a more coherent, realistic and better planned approach to the financing of DCI. They also note the proposal to increase appropriations under the European Neighbourhood Instrument, addressing the needs of countries facing major political and economic change in the wake of the Arab Spring. Members consider that a sufficient level of EU financial assistance to the Palestinian Authority and UNRWA is still needed in order to adequately and comprehensively respond to the political and humanitarian situation in the Middle East and the peace process. As regards Croatia, Members acknowledge the fact that with the accession of Croatia to the Union, a reduction of EUR 67.6 million will be made to the IPA allocations. They are nevertheless concerned that the Commission is proposing a greater than expected reduction in support for institutional capacity building for candidate countries, with the cut in IPA allocations for Croatia. They recognise the need to react to the transregional challenges posed by organised crime, trafficking, the need to protect critical infrastructure, threats to public health and the fight against terrorism and call on the Commission to provide evidence as to why an increase of 50 % is needed for these measures in 2013.

Heading 5: Members note that total administrative expenditure for all institutions is estimated at EUR 8.544.4 million, representing an increase of 3.2 % as compared to 2012 and leaving a margin of EUR 636.6 million, including additional expenditure linked to Croatia's accession. Acknowledging that most institutions, including the European Parliament, have made an effort to restrict their administrative budgets to an increase below the expected inflation rate, Members underline the need for the long-term rationalisation of administrative resources, and insists on the need to strengthen interinstitutional cooperation in areas such as human resources, translation and interpretation, buildings, and information technology. Overall, Members welcome this effort towards budget consolidation in administrative expenditure at a time of economic and budgetary constraints at national level. However, they are concerned at the adverse impact such measures may have on the swift, regular and effective implementation of EU actions and programmes. According to Members, **any staff reduction should be**

based on a prior impact assessment and take full account of, inter alia, the Union's legal obligations, the EU's priorities and the institutions' new competences and increased tasks arising from the treaties. Such assessment should also take carefully into account the effects on the different Directorates-General and services, given their size and workload notably, as well as on the different types of posts concerned as presented in the Commission's annual screening of human resources. Members take the view that questions remain about the high number of costly management positions at high grade levels among the staff of the European External Action Service. They also state that the European Schools should be adequately funded.

Agencies: Members note the overall level of EUR 748 million (i.e. 0.5 % of the total EU budget) devoted to the decentralised EU agencies in DB 2013, resulting in an increase in the total EU contribution (including assigned revenue) as compared to the 2012 budget amounting to EUR 24 million, or +3.2 %. They note that for the first time the Commission has cut the budgetary requests of almost all the agencies, which were in line with the financial programming amounts overall.

Interinstitutional budgetary trilogue: lastly, Members consider the following issues to be of specific interest for the trilogue due to take place on 9 July 2012:

- support for growth, competitiveness and employment, and particularly for SMEs and youth, in the budget for 2013;
- a sufficient level of payment appropriations to cover the increasing needs of running projects, in particular under Headings 1a, 1b and 2, at the end of the programming period;
- the problem of outstanding commitments (RAL);
- an amending budget for 2012, in order to cover past and current payment needs and avoid shifting 2012 payments to 2013 as was the case this year;
- a sufficient level of commitment appropriations - more Europe in times of crisis;
- an interinstitutional meeting on payments;
- financing of ITER in the 2013 budget;
- the discrepancy between financial programming and the DB 2013 in the case of Heading 4.