

# 2013 general budget: all sections

2012/2092(BUD) - 12/10/2012 - Budgetary report tabled for plenary, 1st reading

The Committee on Budgets adopted the joint report on the Council position on the draft general budget of the European Union for the financial year 2013 by Giovanni LA VIA (EPP, IT) – (section III – Commission) and Derek VAUGHAN (S&D, UK) (other Sections).

Members stress that **the priorities expressed in the opinions given by its specialised committees**, as well as those which emerged on the occasion of the meetings with the Rapporteurs specialising in budgetary matters, have as far as possible been taken into account in the present draft resolution.

**Section III – Commission:** the committee recalls that Parliament's priorities for the 2013 budget, as detailed in its resolution of 4 July 2012 on the mandate for the trilogue, consist in: support for **sustainable growth, competitiveness and employment, particularly for SMEs and youth**. It points out that the Commission's draft budget (DB) reflects Parliament's priorities and is aware of the severe difficulties arising from the state of the national economies and of the need for a responsible and realistic reading. **Members cannot accept, however, the approach according to which the EU budget is made the source for possible savings with the same proportion and logic applied to the national budgets**, given the substantial difference in nature, objectives and structure. They highlight that decreasing EU resources will surely result in a lack of investment and liquidity in the Member States.

Members underline that the **EU budget is to be seen as a complementary instrument of support for Member States' economies**, capable of concentrating initiatives and investment in areas strategic for growth and the creation of jobs as well as and of bringing about a leverage effect in sectors overcoming national boundaries. Such a role is legitimised by the same Member States, who, together with Parliament, are responsible for the decisions from which most of the EU law stems.

Recalling that 2013 is the last year of the current multiannual financial framework (MFF), Members deplore the decision of the Council to proceed again this year with the usual approach of **horizontal cuts to the DB**, aimed at artificially reducing the level of the EU's resources for 2013 by an overall total of EUR 1 155 million (-0.8%) in commitment appropriations (CA) and **EUR 5 228 million** (-3.8%) in payment appropriations (PA).

They are surprised that the Council has not taken into account latest Commission's forecasts for programmes' implementation, based on estimates of the same Member States. The report warns about the **severe risk of shortages of payments, in particular under Headings 1a, 1b and 2**, entailing a risk that sufficient funds are not made available to enable the EU to honour its debts.

**Reductions damaging for growth:** Members underline that the current procedures for assessing the real needs for payment appropriations for Member States take place in total obscurity. The committee has examined the Council's cuts, noting that Headings 1a and 1b are particularly affected as regards payments (-EUR 1.9 billion and -EUR 1.6 billion respectively as compared to the DB), i.e. the headings under which most of the programmes and initiatives responsible for delivery of the objectives of the Europe 2020 strategy are concentrated. It underlines that **these cuts are fully at odds with the conclusions of the June 2012 European Council**, which identified the EU budget as "a catalyst for growth and jobs across Europe" and decided to concentrate resources, including EUR 55 billion coming from the Structural Funds, on growth-enhancing measures. Members consider that that decision, taken at the highest political level of the EU, needs to be translated into a sufficient level of payments for 2013 in favour of programmes and actions underpinning this priority. They also reject the Council's argument that these cuts correspond to under-implemented or low-performing programmes, (e.g. the Lifelong Learning Programme

and the Competitiveness and Innovation Framework Programme (CIP) under Heading 1a and the Competitiveness and Employment objective under Heading 1b), since such criteria completely disregard the multiannual character of the EU's policies, and of cohesion policy in particular, characterised by a rising profile of payments towards the end of the MFF.

Furthermore, the substantial reduction in the level of payments as compared to commitments set by the Council would logically result in a further increase of the RAL by EUR 4.1 billion, especially considering that the largest shares of the RAL relate to cohesion policy (65.6%) and to R&D sector (10.5%).

**Restoring at the level of DB payment appropriations to enable the main EU programmes to function:** due to recent experience, the committee does not deem the declaration of payments proposed by the Council in its reading as a sufficient guarantee that an adequate level of payments will eventually be made available for all headings. The **Budgets Committee takes the general approach, therefore, of restoring, at the level of DB payments cut by Council in all headings** and increasing payment appropriations over DB on a selected number of lines characterised by high levels of implementation within each heading, in particular Headings 1a and 4, to cover the real needs of the corresponding programmes, as identified by the Commission. It calls on the European Parliament to mandate its **delegation for the Budget 2013 conciliation not to accept** any level of payments both for the Amending budget 6/2012 and the Budget 2013 **that does not fully cover the payment needs for 2012 and 2013**, as estimated by the Commission. Members recall that Council completely disregarded Parliament's priorities, as expressed in Parliament's mandate for the trilogue but that Parliament's reading is based instead upon benchmarks arising from that mandate.

**More Europe and not less Europe:** the report underlines that the answer to the crisis must be 'more Europe and not less Europe' in order to restart investment, boost the creation of jobs and help rebuild confidence in the economy. Members cannot, therefore, accept Council's decision to reduce commitment appropriations further down to 1.27% compared to budget 2012. They set the overall level of appropriations for 2013 to:

- **EUR 151 151.84 million in commitment appropriations and**
- **EUR 137 898.15 million in payment appropriations.**

With regard to each of the budget headings, Members make the following points:

**Heading 1a:** they deplore that Heading 1a bears practically the totality of the Council's cuts in commitments (-2.9% compared to DB in Heading 1) and is the most affected as regards decreases in payments (-EUR 1.9 billion or **-14% compared to DB**). They decide to undo almost all cuts by Council and to reinforce above DB in commitment and payment appropriations only a selected number of lines directly linked to the objectives of the Europe 2020 Strategy.

Members make the following amendments to the budget:

- increase commitment and payment appropriations in favour of the Competitiveness and Innovation Framework Programme (CIP) Entrepreneurship and Innovation Programme and CIP Intelligent Energy Europe;
- partly compensate decreases to ITER by setting commitments above DB on a selected number of operational FP7 lines directly underpinning the Europe 2020 strategy and characterised by excellent levels of implementation and strong absorption capacity;
- finance this partial offset above the available margin through the mobilisation of the Flexibility Instrument for an amount of EUR 50 million;
- increase appropriations for Lifelong Learning and Erasmus Mundus programmes which, against modest financial envelopes, provide great returns in terms of effective implementation and positive image of the Union vis-à-vis its citizens;

- the level of commitments and payments proposed in the DB for projects of common interest in the Trans-European transport network;
- restore DB payments for the European Globalisation Adjustment Fund (EGF).

**Heading 1b:** Members strongly deplore the substantial cuts in payments (-EUR 1.6 billion or -3.3% as compared to the DB) by the Council affecting the Regional Competitiveness and Employment objective (-12.9%), the European Territorial Cooperation objective (-18.7%) and the Cohesion Fund (-4.7%). Recalling the doubts expressed in its mandate for the trilogue as to whether the level of payments proposed in the DB will be sufficient to reimburse the totality of the expected payment claims in the absence of an amending budget this year, the committee rejects the cuts introduced by the Council on Heading 1b, which would lead to a much more serious shortage in payments than already expected and would also lead to a strong increase in the level of RAL by the end of next year. It does not consider the Council's declaration asking the Commission to submit a draft amending budget in case of insufficient payments under Heading 1b as a sufficient guarantee that an adequate level of payments will be made available in 2013, given that similar commitments have been already undertaken and disregarded by the Council in the past two years. **Members ask the Council Presidency to make a public statement and explain the discrepancy between the Council's reading on payments and the actual needs of Member States**, as expressed in their estimates.

In sum, the committee decides to restore the DB in commitments and in payments for all budget lines cut by Council under this heading. It urges the Council to agree on Draft amending budget 6/2012 presented by the Commission with the aim to compensate the shortage of payment appropriations this year and to avoid blocking the execution of running projects at the end of the programming period.

**Heading 2:** Members consider that the Commission's estimates of budgetary needs are more realistic than the Council's forecast figures, and restore, therefore, Council's cuts under this Heading to a level of EUR 60 307.51 million, which is 0.6% above the 2012 budget. They reject the increase of the so-called negative expenditure line (clearance of accounts) as this appears to be set artificially high compared to Heading 2 appropriations and partly restores the Commission's proposal, allowing a more realistic approach.

They also make the following adjustments to the budget:

- granting an adequate level for producer groups for preliminary recognition;
- increase in the Union's contribution to the crisis fund within operational funds for producer organisations;
- increased support for the school milk programme and the continued support for programme concerning school fruit;
- maintaining the budget allocation dedicated to the Food Distribution Programme for the Most Deprived Persons in the with Members welcoming the effort made by the Commission in finding a political and legal solution to continue with the programme in 2013;
- continued support on a commensurate level for the LIFE+ programme,
- maintaining financing of the CFP at the proposed DB levels, in view of its upcoming reform.

Members state they support the sharp reduction of some budget lines on refunds, and in some cases even to zero, as this instrument is politically controversial.

**Heading 3a:** Members reject the cuts performed by the Council in payment appropriations in the following areas:

- European Return Fund (-EUR 18 million),
- European Refugee Fund (-EUR 1.8 million),
- European Fund for the Integration of third-country nationals (-EUR 3.2 million) and

- Fundamental Rights and Citizenship (-EUR 1 million).

They decide, therefore, to restore the level of the DB on the corresponding lines. They also increase the payment appropriations of the DAPHNE programme above the level of the DB, emphasising the positive role of the programme.

Members also **reject the Council's unilateral decision to change the legal basis of the proposal on the "Schengen evaluation mechanism"** from the ordinary legislative procedure to Article 70 of the Treaty on the Functioning of the European Union. They support the Conference of Presidents' decision to block cooperation with the Council on the 2013 budget as regards internal security aspects and endorse, therefore, the position taken by the Committee on Civil Liberties, Justice and Home Affairs to put into the reserve some budgetary lines in Title 18 which relate to internal security (in commitment and payment appropriations) until a satisfactory outcome is achieved on the Schengen governance package.

**Heading 3b:** emphasising the need to encourage cross-cultural communication and EU citizenship within the next generation, the committee has decided to increase funding for the Youth in Action programme compared to DB. It also reinforces appropriations for the European Year of Citizens 2013 together with the latter's communication activities.

**Heading 4:** Members highlight that cut in payments brought by the Council to Heading 4 (-EUR 1 billion or -14.1% as compared to DB) represent approximately 20% of the overall cuts across all headings. They consider that **such a massive reduction would impede the Union to respect the commitments to which it has committed itself on the world scene** and they decide to restore the level of both commitment and payment appropriations in most budget lines to the levels proposed in the DB.

Members consider, however, that some decreases compared to the DB can be accepted in some budget lines, such as

- macro-Financial Assistance,
- membership of international organisations in the field of customs and tax and
- cooperation with Greenland.

They propose a small increase in the level of commitment and payment appropriations above the DB for budget lines in the areas of geographical development cooperation, as well as for the Electoral Observation Mission and the Global Fund to Fight Aids, Tuberculosis and Malaria.

Pointing out that increased funding for Palestine and UNRWA is crucial for ensuring that UNRWA is given the necessary resources it needs to provide the essential services for which it has been mandated by the UN General Assembly and to safeguard the safety and livelihood of refugees, the committee increases the relevant funding. It also increases appropriations for the support to the economic development of the Turkish Cypriot Community.

**Heading 5:** taking note of the Council's position decreasing the Commission's proposal on Heading 5 by EUR 146 million overall, despite the institutions' efforts towards budget consolidation of administrative expenditure, Members welcome the efforts of most institutions, including Parliament and the Commission, which complied with and even overstepped their commitment to restrict their administrative budgets to an increase below the expected inflation rate.

For all the institutions, apart from the Council, as well as for the European Schools, they decide to restore (or in the case of the Court of Justice, add) in reserve the amounts corresponding to the 1.7% 2011 salary adjustment for budget year 2013, pending the Court's ruling. This is sound budgeting, given the likelihood

of a ruling in favour of the Commission. The committee warns the Council that, in this event, the budgetary authority will need to accommodate the retroactive effect of such ruling for years 2011 and 2012, including late interest.

It also undoes other cuts brought by the Council on specific items of administrative expenditure, notably, within the Commission, on ICT equipment and services and some offices.

While restoring or maintaining the Commission's and, partly, other institutions' requests for posts on the basis of a case-by-case approach, Members call for an in-depth impact assessment to be carried out on the planned staff reductions by 2018, taking full account of, inter alia, the Union's legal obligations and the institutions' new competences.

They note with concern that staff cuts were made within the Commission and ask the Commission to include in its annual staff screening report an assessment of the impact. They also set a number of reserves on some budget lines with a view to obtaining specific information.

**Agencies:** Members endorse, as a general rule, the Commission's estimates of agencies' budgetary and staff needs and notes that the Commission had already considerably reduced the agencies' initial requests. They consider that any further cuts as proposed by the Council would endanger the proper functioning of the agencies and would not allow them to fulfil the tasks they have been assigned. They decide to increase the 2013 budget appropriations for the three financial supervision agencies.

Members are aware that certain agencies (such as Europol, EASA, ACER) have to implement additional tasks in 2013 which might not be reflected in the allocated budget or establishment plan for 2013 and request the Commission, in case of necessity, to propose timely an Amending Budget for the relevant agency. They also expect the Commission to present a new financial statement when a legislative procedure has been finalised by Parliament and the Council extending the mandate of an agency.

### **Other sections**

The committee is concerned by the Council's position of a nominal freeze across all EU institutions, believing that each institution should be dealt with on a case-by-case basis, taking into account the needs and specific situation of each institution. It welcomes efforts made by the institutions to find additional savings and restrict their budgets bearing in mind the costs of the enlargement to Croatia.

**European Parliament:** Members point out that the level of its 2013 budget is 1.9% above the 2012 budget including the costs for Croatian accession but that due to the current inflation rate of 1.9%, there is a real decrease of the operating budget, despite recently added competences, new posts and actions, the financing of Croatia's accession and the costs for preparing the 2014 elections. They approve the following adjustments to the estimates:

- reduction in the appropriations in the contingency reserve,
- internalisation of the security service in a budget-neutral manner,
- pursuit of the internalisation of ICT activities
- adjustment in the appropriations for the European Parliamentary Association;
- reduction of appropriations for the House of European History by EUR 5.3 million.

Members believe that, like every directly elected parliament, the **European Parliament should have the right to decide on its own seat and working place arrangements** and declare, therefore, that Parliament's seat and places of work for Members and officials should be decided upon by Parliament itself.

They go on to make other remarks on Parliament's internal organisation, travel, ICT expenditure and translation.

**Other institutions:** lastly, Members make a series of recommendations on the other institutions and bodies of the EU calling generally for the restoration of certain appropriations allocated to each in order to enable them to carry out their tasks and meet the needs of enlargement to Croatia.