2014 general budget: all sections

2013/2145(BUD) - 11/10/2013 - Budgetary report tabled for plenary, 1st reading

The Committee on Budgets adopted the joint report by Anne E. JENSEN (ALDE, DK) (section III – Commission) and Monika HOHLMEIER (EPP, DE) (other sections) on the Council position on the draft general budget of the European Union for the financial year 2014 – all sections.

Section III – Commission: Members recalled that the priorities for the 2014 budget are economic and sustainable growth, competitiveness, the creation of employment and the fight against youth unemployment as well as the EU's role in the world. They insisted that the Commission and the Member States should make every effort to ensure that the EU budget is spent in an efficient way and that anything financed with it should have a clear European added value. Recalling their determination to ensure **a sufficient and realistic level of commitment and payment appropriations** to allow the programmes to kick-off with sufficient funds in the multiannual financial framework (MFF) for the period 2014 - 2020 and to avoid delays in their implementation, Members therefore deplored the Council's decision to **proceed again this year with the usual approach of horizontal cuts to the draft budget**, aimed at artificially reducing the level of the Union's resources for 2014 by an overall total of EUR 240 million (-0,2%) in commitment appropriations and EUR 1 061 million (-0,8%) in payment appropriations as compared to the draft budget, thus leading to a significant decrease compared to the 2013 budget (including amending budgets Nos 1 to 5) both in commitments (-6%) and in payments (-6,6%).

Members were surprised that in its position the Council has not only not taken into account the agreement on the MFF, regarding the frontloading of the Erasmus+ COSME and Horizon 2020 programmes but has further decreased the appropriations for some of those programmes.

Members deeply regretted that the Council has introduced cuts in both commitment appropriations and payment appropriations in all headings:

- Heading 1a : -0.36% in commitment appropriations and -3.6% in payment appropriations;
- Heading 4: -0.21% in commitment appropriations and -2.5% in payment appropriations; and
- Heading 5: -1.78% in commitment appropriations and payment appropriations.

In Members' opinion, those cuts are in direct contradiction with the political agreement on the MFF on **frontloading** and also disregard Parliament's priorities, as outlined in its resolution on the general guidelines for the preparation of the 2014 budget and the recommendations on the mandate for the trilogue on the 2014 budget.

Nor did they accept the Council's argument that the proposed cuts correspond to under-implemented or low-performing programmes, since its cuts in commitments affect mostly the implementation capacity of a new generation of programmes which have not yet started or do not take into account the multiannual nature of the Union's policies.

They also deplored the arbitrary to the administrative and support lines considering these cuts to be detrimental to the successful start of the new programmes. They called on Parliament to restore therefore, the draft budget on all lines of administrative and support expenditure cut.

Members also called for a **reversal of the trend** of the last years, where the **outstanding payments at the end of the year have grown exponentially**. They therefore called on the Council to agree to a **joint political commitment** to use all means available under the MFF Regulation for the period 2014-2020 including recourse to the contingency margin and/or revision of the payment ceiling.

Against the linear reduction of appropriations: Members indicated they could not accept Council's decision to reduce commitment and payment appropriations because commitments reflect Union political priorities and should be set with a long-term perspective, taking into account a time when the economic downturn might have ended. They took the view, therefore, that as a general principle, **commitments should be restored at draft budget level**. They suggested an increase in commitment appropriations slightly above the draft budget on a selected number of budget lines relating to the **programmes of direct benefit for European citizens**, and contributing to the delivery of the Europe 2020 priorities - which are crucial for the growth and competitiveness of the Union - as well as those projecting European values and solidarity abroad.

The 2014 budget in figures: Members call on Parliament to set the overall level of appropriations for 2014 at:

- EUR 142 625 million in commitments and
- EUR 136 077 million in payments.

They, therefore, called for the **mobilisation of the Flexibility Instrument** for an amount of EUR 274.2 million in commitment appropriations to reinforce the Fund for European Aid to the Most Deprived, pending the final agreement of the legislative authority on the legal basis. In Heading 4 the Flexibility Instrument should provide additional assistance to Cyprus and further support for humanitarian aid in the Middle East.

Revenue: Members called for a more realistic budgeting of the expected revenue from fines imposed by the Commission on companies in breach of Union competition law and for further discussion on the budgeting of the surplus in the budget in order to avoid a complex procedure, **incomprehensible to the outside world**, which currently consists of returning it to Member States via a reduction of their respective GNI-contribution.

Payment appropriations: once again, Members deplored the cuts in payments brought by the Council, which result in a decrease of EUR 9.5 billion (9 500 million) (-6.6%) in payment appropriations as compared to the adopted budget for 2013 (including amending budgets Nos 1 to 5). They reiterated that, despite the adoption of a lower MFF for the period 2014-2020 and the absolute need to keep honouring past commitments, the Council kept blindly following its past strategy to artificially cut the level of payments. Particularly this year - the Council's position to leave an artificial margin of EUR 1 billion under the 2014 payments ceiling **serves no purpose**, especially given the magnitude of the expected carry-over of outstanding payments at the end of 2013.

The Council position does not take account of the dramatic shortage of payments, notably in the field of cohesion policy. Members therefore strongly rejected, therefore, the Council’s approach to payments and reinstated the draft budget as regards payments for the majority of the headings cut by the Council.

Members welcomed the adoption by the Commission of draft amending budget No 8/2013 (second tranche of draft amending budget No 2/2013), which provided for an additional **EUR 3.9 billion for outstanding payments from 2013** and which is one of the conditions to put the MFF Regulation to the vote.

In regard to each of the budget headings, Members had the following remarks:

- **Heading 1:** Members reaffirmed their support in favour of EU programmes in the field of research, competitiveness, entrepreneurship, innovation and social inclusion, which are at the heart of the Europe 2020 strategy and reinstated all lines cut by the Council in order not to further weaken this heading. They also increased a selected number of lines in certain priority areas, such as Horizon

2020, Erasmus+, the digital agenda, transport policy, social dialogue, EURES and Progress Microfinance and Social entrepreneurship, special annual events and the quality of European statistics. They also took on board in its reading the political agreement on the MFF as regards the frontloading for 2014 of Horizon 2020 by EUR 212.2 million, COSME by EUR 31.7 million and Erasmus+ by EUR 137.5 million. However, they made certain targeted budget cuts such as the communication on Economic and Monetary Union.

- **Heading 1b:** in this heading too, the Council had further decreased the level of payments by -0.4 % compared to the draft budget. Members recalled that Heading 1b bears the biggest part of the current outstanding commitments and that the amount of outstanding bills at the end of 2013 will amount to approximately EUR 20 billion within cohesion policy, creating a large deficit. They therefore **rejected the cuts introduced by the Council on Heading 1b** because they would lead to a much more serious shortage in payments than already expected. They restored the draft budget in commitments and payments for all budget lines cut by the Council under this heading and proposed additional amounts from the Structural Funds for Cyprus, for a total amount of EUR 100 million.

  They also decided to reinforce the Fund for European Aid to the Most Deprived, by allocating a total commitment appropriation of EUR 500 million to the actions promoting social cohesion and alleviating the worst forms of poverty in the Union. Moreover, they approved the creation of new dedicated budget lines for technical assistance for the five Structural Funds.

- **Heading 2:** noting that although Heading 2 was least affected by the Council's cuts, Members nevertheless restored the draft budget on all lines cut by the Council and increases commitment appropriations for the School Fruit Scheme by EUR 28 million.
- **Heading 3:** noting the cuts to this heading already proposed by the Commission and by the Council for this heading, Members adopted the general approach of restoring the draft budget on all lines to ensure the proper implementation of programmes and actions under this heading. They stressed that solidarity between Member States in the field of **asylum and migration** should be reinforced and that the EU budget should demonstrate a clear commitment in that direction.
- **Heading 4:** here again, Members deplored the Council's cuts to Heading 4 (-0.21 % in commitment appropriations and -2.5 % in payment appropriations), which was already one of the most heavily affected by the decrease in the draft budget (-12.5 % in commitment appropriations and – 8.2 % in payment appropriations) as compared to the 2013 levels. They considered the cuts by Council to Parliament's priority lines unacceptable and proposed to **restore the draft budget on the lines decreased by the Council** and to even exceed the Commission’s draft budget in commitment appropriations for some lines of strategic importance for the EU's external relations to a total of EUR 233 million (Humanitarian Aid, European Neighbourhood Instrument, Development Cooperation Instrument, Instrument for Pre-Accession Assistance, Instrument for Stability and the European Instrument for Democracy and Human Rights). They disagreed with the Commission's proposal to split geographic and thematic lines into one for **poverty reduction and sustainable development** and one for governance issues as this new nomenclature does not distinguish objectives from means in development policy.

  Members called for the mobilisation of the Flexibility Instrument for EUR 50 million in order to finance the real needs for the **Union's contribution to the Middle East peace process**. They suggested putting the EUR 50 million of additional appropriations in reserve pending an assessment from the Commission of the sound management of the aid by the Palestinian authorities. They also called for an increase of the payment appropriations for the Emergency Aid Reserve (+ EUR 147 million) in order to avoid a repeat of the situation where the Commission is not in a position to react in a timely manner to emerging humanitarian crises.

- **Heading 5:** Members were surprised by the Council's cuts to Heading 5, amounting to a total of EUR -153.283 million in commitments and payments which, in their view, are unjustified. Members restored, therefore, the draft budget on all lines of administrative and support expenditure

and on all lines in Heading 5 cut by the Council, except for the line "Remuneration and allowances" in Section III, which is decreased by EUR -1,2 million to cover European Chemical Agency's contribution to the financing of Type II European Schools.

Agencies: Members reject the Commission's approach to staff, according to which the agencies' establishment plans are not only to be reduced by 1 % on the basis of the political agreement on the MFF, which applies to all institutions and bodies, but are also to contribute another 1% to a "redeployment pool". They therefore modified the establishment plans of most agencies in such a way as to implement the agreed 1 % reduction but did not do so, however, for agencies which in their initial request already applied the 1+1 % reduction.

Members decided to increase the appropriations for the three financial supervisory agencies, as well as for, among others, FRONTEX and EUROPOL.

Other sections: generally speaking, Members believed that the budget of each Union institution, due to its specific mission and situation, should be **treated individually**, without one-size-fits-all solutions. They called for the budgets for Parliament and the Council to be maintained and are concerned by the Council's cuts, in the 2014 draft budget, of staff salary adjustments of 1.7 % for 2011 and 2012 in those institutions. They requested an amending budget to cover the backlog and the respective salary adjustments, should the Court of Justice rule in favour of the salary adaptation prescribed by the Staff Regulations.

As far as the European Parliament's budget is concerned, Members, once again, called for a roadmap to a **single seat**.

They welcomed the agreement reached during the conciliation meeting of 24 September 2013 between the Bureau and the Committee on Budgets and pointed out that the overall level of its 2014 budget is EUR 1 783 976 098, which represents a net reduction of EUR 29 168 108 compared to the preliminary draft estimates of 26 February 2013.

Members approved the following adjustments to the estimates:

- incorporation of the impact of the adoption of the new Staff Regulations and the related changes to the establishment plan;
- the taking into account the savings stemming from the replacement in Luxembourg of the PRES building by the GEOS building;
- reduction in the appropriations for the House of European History due to the contribution of the Commission.

Other technical amendments were approved for the other EU institutions.