2007 budget: section III, Commission

2006/2018(BUD) - 26/10/2006 - Budgetary text adopted by Parliament

In adopting the report by James **ELLES** (EPP-ED, UK), the European Parliament was, for the most part, in agreement with its competent committee, and approved the draft budget for the year 2007, the first to be adopted in the context of the new financial perspectives. The strategy of the rapporteur for the Commission's budget called "Value for Money", focused on the adequate funding of programmes considered as priorities by Parliament. The funding of Commission's posts for which Council had proposed a major cut was reinstated by Parliament subject to a number of conditions.

General principles: Parliament adopted a 2007 draft budget substantially higher than that adopted by Council in its July first reading. Commitments are set at EUR 127.3bn, payments are EUR 122bn, equalling 1.04 % of GNI. The Council had adopted a draft budget of EUR 125bn in commitments and EUR 114bn in payments, or 0.98% of GNI. With this vote, Parliament has stayed well within the margins of the Financial Perspective.

Parliament stated that it had based its amendments on a thorough analysis of a number of sources of information on the quality of spending of EU funds and on budget implementation, and that budget amendments were prepared on the basis of the information thus obtained. The level of aggregate appropriations proposed by the Council in its draft budget falls well below the level needed for the EU to respond effectively to the challenges of globalisation it faces. It was important to prepare for the review of the Multi-annual Financial Framework (MFF) in 2008, which should deliver EU spending that is better focused on policy priorities.

Horizontal issues: in order to ensure improved value for money, Parliament proposed amendments to place 30% of appropriations in reserve on a number of budget lines until the Commission could reassure the Parliament that this money will be spent in a manner that delivers value for money to the European taxpayer. It reduced by 10% the appropriations for administrative management directly linked to programmes on a horizontal basis. Accordingly, Parliament both placed amounts in reserve due to some concerns about the quality of implementation and increased appropriations according to political priorities. It went on to propose a number of new Pilot projects and preparatory actions broadly in line with its priorities and restored appropriations in the PDB for existing agencies, pending a positive evaluation of the performance of the agency against its final work programme. As regards the new agencies (Chemicals Agency, Gender Institute, Fundamental Rights Agency), Parliament proposed deleting the appropriations entered in the draft budget in particular in light of the fact that no legal base yet existed for these agencies.

Parliament also made a number of comments on each of the budget headings:

Heading 1a - Competitiveness for growth and employment: Parliament adopted a series of amendments for the old structural funds lines now in heading 1a & 1b. It decided to reject the Council's approach of reductions in a number of crucial budget lines aiming at improving the competitiveness of the EU's economy. Parliament decided to increase payment appropriations for priority programmes linked to the Lisbon agenda such as the Competitiveness and Innovation Programme (CIP) and the Seventh Framework Programme in particular. Regretting that the appropriations for trans-European transport networks (TEN-T) had been considerably reduced for the 2007-2013 MFF, Parliament awaited a satisfactory agreement with the Council and the Commission on a regulation on financial aid in the field of trans-European transport networks and priority projects to which funds should be allocated. It awaited, too, proposals on adequate public funding to create the pump-priming effect expected of European Investment Bank cofinancing, and an increase in the long-term subscribed for the European Investment

Fund. Parliament then reminded the Commission that the GALILEO programme was underfinanced in the new MFF and asked for a workable and lasting solution in order to ensure the success of this programme.

Heading 1b - Cohesion for growth and employment: Parliament noted that the appropriations for the structural and cohesion funds were considerably lower for the 2007-2013 MFF than had been anticipated, and felt that the appropriations in the PDB should be restored. It increased payment appropriations for budget lines linked to cohesion in line with its policy priorities. ESF Convergence and regional competitiveness were increased to EUR 1442m and EUR 661m respectively from EUR 1092m and EUR 461m. The Commission must present proposals for the allocation of resources for the International Fund for Ireland during the 2007 budgetary exercise.

Heading 2 - Preservation and management of natural resources: Parliament deplored the Council's drastic across-the-board cut in market expenditure of EUR 525 million, based on accounting criteria and without taking account of Parliament's priorities. It called for the re-establishment of the figures in the PDB. It was also concerned with the fall in real terms of spending on rural development, despite the need to restructure the rural economy.

Stating that a voluntary transfer of funds from direct agricultural support (CAP "first pillar") to rural development was not the appropriate means for remedying this situation, Parliament expressed strong reservations about the current Commission proposal concerning voluntary modulation of up to 20% of direct agricultural support to rural development. It called for an impact assessment and a revised proposal on voluntary modulation. It also urged the Commission, in the absence of agreement between the co-legislators on LIFE+, to include in an amending letter the necessary modifications to allow the provisional financing of activities contributing to preparatory work and continuity of the environmental programmes.

Heading 3a - Freedom, security and justice: given the urgency of immigration matters, Parliament proposed an increase for the agency managing EU external borders (Frontex) with +12.8 million in commitments and payments amounting to a total of EUR 34 million) as well as the funds for external borders (+ EUR 7.6 million in commitment and EUR +10 million in payment for a total of EUR 170 million for commitments and EUR 87.5 million for payments. Parliament also emphasised its priorities in this area, and in particular the promotion of fundamental rights, the definition of a common asylum and migration policy and the fight against terrorism and organised crime. It resolved to increase the resources allocated to this area, in particular to Eurojust , and restated its repeatedly made demand that Europol be placed on a Community footing. On the issue of citizenship, Parliament urged the Commission to clarify the budget implications of and the actions to be taken under the Plan D for Democracy Debate and Dialogue, and to publish on the Internet the detail of allocation of subsidies (amounts and beneficiaries) for all actions.

Heading 4 - The EU as a global player: Parliament stayed within the ceiling of heading 4, and, contrary to previous years, did not ask for the "flexibility instrument" (which can free up to 200m for non-recurring, unforeseen needs) to be used. However, it proposed the restoration of PDB figures on a number of lines and increases beyond the PDB in payments and in commitments in some areas with a view to boosting EU activities through Community programmes in the fields of foreign policy, development and humanitarian aid, and business and scientific exchanges with key emerging countries such as China and India.

Parliament went on to state that it could not accept that a number of the proposed changes reduce transparency for sectors and/or regions and countries, and it introduced necessary modifications in this respect. The Commission should provide also a breakdown per activity and pre-accession country and, in the interests of transparency, a corresponding nomenclature in all corresponding budget lines. Parliament was also concerned that the expansion of activities in the area of the Common Foreign and Security Policy had not been matched by increased democratic accountability and parliamentary scrutiny, and proposed budgetary amendments to foster a greater degree of transparency and cooperation in this regard.

Heading 5 - Administration: Parliament was firmly opposed to the approach adopted by the Council, which cut 200 posts in the EU institutions, principally the Commission, in 2008 and a further 500 posts between 2008 and 2010. It decided to restore the cuts made by the Council on the Commission's administrative expenditure including for the establishment plan in order to allow its proper functioning, and entered EUR 50 million in the reserve with some conditions. These include a commitment to carry out a screening exercise providing a mid-term evaluation of its staff needs and a detailed report on the Commission's staffing of support and coordination functions covering all places of work. Another condition required a commitment to set down an improved procedure in line with the Framework Agreement to include Parliament's legislative and budgetary priorities in its legislative and work programme, allowing a presentation before Parliament in February 2007 of the Union's work programme.

Pilot projects and preparatory actions: concerning the pilot projects and preparatory actions (instruments aiming to finance temporary actions which are not covered by other community programmes), Parliament adopted, at this stage, a list of projects including: "Euroglobe" (a pilot project on a Globe theatre aiming to promote an open European space for debate, culture and study), and preparatory actions with China and India on management exchange programmes to operate in the university and research sectors.