2008 budget: section III, Commission

2007/2019(BUD) - 11/10/2007

The Committee on Budgets adopted the report by Kyösti **VIRRANKOSKI** (ALDE, FI) on the draft general budget of the European Union for the financial year 2008 and Letter of amendment No 1/2008 to the draft general budget of the European Union for the financial year 2008 Section III – Commission.

On overall figures, the committee deplores the fact that the Council reduced commitment appropriations in the Draft Budget (DB) 2008 by EUR 717 million relative to the preliminary draft budget (PDB), such that commitment appropriations were reduced to EUR 128 401 million. It takes a strong position against Council's cuts to overall payments in the DB by EUR 2 123 million which left total payments at EUR 119 410 million, equivalent to 0.95% of EU GNI, thus leaving a margin of more than EUR 10 billion beneath the payments ceiling of the multi-annual financial framework (MFF) for 2008.

As regards **commitment appropriations**, the report is particularly critical of cuts made by the Council to appropriations for programmes with multi-annual envelopes that have only very recently been negotiated and agreed in co-decision with the European Parliament. It proposes, in its first reading on the 2008 budget, to restore these cuts and considers it necessary to make a number of increases in commitment appropriations for certain political priorities.

As regards **payment appropriations**, the report considers 0.95 % of EU GNI to be an insufficient figure in the light of the policy challenges faced by the EU. It expresses its astonishment that the Council should propose over EUR 1 billion of cuts to payments in headings 1a and 1b for programmes identified as priorities under the Lisbon Strategy for improving European competitiveness and cohesion - a long-standing priority of the Council and Parliament. The committee therefore proposes increases in the overall level of payments to 0.99 % of EU GNI. This is in line with the emphasis on accurate implementation in the "budget for results" approach. It has focused these increases on Lisbon priorities and on programmes where levels of unpaid commitments ("reste à liquider" (RALs)) are persistently high.

It should be noted that the committee supports the letter of amendment to the preliminary draft budget 2008 and in particular the increases in commitment appropriations proposed for Kosovo (EUR 120 million) and Palestine (EUR 142 million) totalling EUR 262 million over the PDB figures. It notes that the Council also proposed increased commitment appropriations for Kosovo and Palestine totalling EUR 260 million in the DB; considers that the Commission and Council should provide a clear explanation of the strategy underlying the proposed increases and the division of appropriations between EC and CFSP categories for Kosovo in advance of Parliament's second reading on the 2008 budget.

To fund the EIT and Galileo, MEPs in the committee are calling for a **review of the multiannual financial framework**. However, in case no deal can be reached with Council on this point, MEPs in the committee propose an amendment transferring this amount to the 7th research framework programme, so that the amount earmarked for funding Galileo does not disappear from the budget

- **Galileo**: the committee wants to increase the commitments proposed by the Council for Galileo (the European satellite navigation system), by EUR 739 million, to reach a total in 2008 of EUR 890 million (EUR 400 million in payments). MEPs in the committee believe this figure is needed to complete the project on schedule. The committee wants Galileo to be funded wholly by the Community. The project could fail for good unless sufficient funding is provided. The funding level proposed by the Council in its first reading (EUR 151 million in commitments), is regarded as utterly inadequate by both MEPs and the Commission (which in September put forward a new funding plan). However, since an agreement is needed with the Council, a tough battle lies ahead: a

consensus will have to be reached between the institutions if the expenditure ceiling laid down in the 2007-2013 financial perspective is to be exceeded.

- **EIT**: the Budgets Committee proposes a figure of EUR 2.9 million (in commitments and payments), for the funding of the EIT board and the creation of a new budget line for knowledge and Innovation Communities (KICs). Like the EU agencies, the EIT's administrative budget would be separate from its operational budget. The EIT's operational budget would be transferred from the "education and culture" heading to "research and innovation".

Recruitment and redeployment: the committee has placed EUR 49 million in reserve pending the commitment of the Commission to carry out a study on ABM implementation before 30 April 2008.

Assigned revenues: the committee insists on improved transparency in this area and proposes changes to the assigned revenues instrument for decentralised agencies with a view to a closer matching of assigned revenues to specific agencies; expresses its concern that the use of assigned revenue within the sugar restructuring fund has created a de facto "budget within a budget" that is difficult to reconcile with the budgetary principle of universality enshrined in the Financial Regulation. It expresses its openness to revise the Financial Regulation as regards assigned revenue.

Decentralised agencies: the committee restores PDB levels with the exception of FRONTEX for which an increase of EUR 30 million is adopted under Title 3 and with the exception of the European Environment Agency with a slight increase under Title 3.

Executive agencies: the committee recalls the obligations of the Commission set by the "Code of Conduct on the setting up of an Executive Agency". It considers that executive agencies must not, either now or in the future, lead to an increase in the share of administrative cost. It underlines that any proposal for the creation of a new executive agency, and the expansion of existing executive agencies, must be based on a comprehensive cost-benefit analysis and that lines of accountability and responsibility should be clearly set out in the proposal.

The report welcomes the fact that the activity statements provided with the PDB 2008 delivered an improved focus on objectives and indicators of results rather than long descriptions of administrative process. It notes, however, that there remains a significant gap between Commission Directorates-General as regards the quality of Activity Statements. It expects further improvements in future years.

Specific issues - main elements by budget heading, pilot projects, preparatory actions

- **Heading 1a, "Competitiveness for growth and employment"**: the committee rejects the cuts in commitment and payment appropriations made by the Council in its first reading, especially where these cover multi-annual programmes recently co-decided with Parliament that aim to deliver on the Lisbon Strategy. It restores these cuts and proposes increases on a number of lines that are political priorities for Parliament. It also proposes a number of pilot projects and preparatory actions in line with its budgetary prerogatives. It underlines the importance of reducing the stigma of business failure in the context of the Competitiveness and Innovation Programme (CIP).
- **Heading 1b, "Cohesion for growth and employment"**: deplores the cuts in payment appropriations made in the Council's first reading; restores these cuts and proposes to increase payments on lines where RALs have been consistently high in recent years. It demands more streamlined administrative procedures in order to improve implementation of operational programmes for structural and cohesion funds also in terms of qualitative aspects which have the strongest impact of the Union on its citizens' lives.
- **Heading 2, "Preservation of natural resources"**: the committee is strongly opposed to the indiscriminate cuts proposed by Council to many lines under this heading of the budget. It restores the PDB for many such lines but notes that the Council will have the final say on those lines which concern compulsory expenditure; demands clearer presentation of the figures for market measures

and direct aids in future budgetary procedures. It is concerned by the slow rate of adoption of operational programmes as regards the rural development pillar of the CAP, a long-standing priority of Parliament. It expects to see rapid improvements in this regard. It emphasises the need to speed up the procedure regarding the drawing-up of special national programmes for the recovery of crops and animal production in the areas affected by fires and other forms of natural disasters and stresses that those programmes should be financed from the EAFRD (European Agriculture Fund for Rural Development) by internal transfers or subsidies within a Member State.

- **Heading 3a, "Freedom, security and justice"**: the report places appropriations for the Return Fund in reserve pending the adoption of the legal base and also places appropriations in reserve pending the provision of improved information to Parliament regarding the fight against crime. It considers that the Frontex agency must play a more effective role in strengthening the EU's external borders, notably in alleviating the burden currently faced by Member States in connection with illegal immigration. The Agency is asked to present regularly to its competent committee the state of play and the scheduled forthcoming operations; urges the Member States to deliver on their promises and support the Agency's missions so that the Agency can perform its tasks more effectively.
- **Heading 3b, "Citizenship"**: the committee deplores the cuts made by the Council under this heading, which would affect programmes such as Culture 2007, Media 2007 and Youth in action. It restores the PDB and proposes appropriations for a number of new and ongoing pilot projects and preparatory actions in this regard. Attention is drawn to the fact that funding for the information and prevention campaign HELP comes to an end in the budget for 2008 and expects the Commission to submit a follow-up initiative. It also supports, within the Civil Protection Financial Instrument, the provision of a complementary capability in the form of a stand-by force for handling natural or man-made disasters as well as in cases of acts of terrorism or environmental accidents. The Commission is called on to give repeated backing for investment in infrastructure to improve accommodation for refugees. The report seeks to encourage a stronger voice for less well represented groups in civil society, combating all forms of discrimination and strengthening the rights of women, children, disabled and older persons. The Commission is asked to use the appropriations earmarked for information to provide diverse information, which, inter alia, caters for the public information needs of parliamentary minorities.
- **Heading 4, "EU as a global partner"**: the committee supports the increases, including for Kosovo and Palestine, in the Commission's letter of amendment to the PDB of 17 September 2007. It proposes an additional EUR 10 million each for Kosovo (line 22 02 02) and Palestine (line 19 08 01 02) and further increases for its priorities up to the MFF ceiling, including the restoration of the PDB for the Emergency Aid Reserve. It cuts CFSP spending by EUR 40 million to the level of budget 2007 and requests the use of the flexibility instrument to a total of EUR 87 million for CFSP spending and other priorities, including Kosovo and Palestine. It considers that this reflects the chronic under-funding of heading 4 in the 2007-2013 MFF.
- **Heading 5, "Administration"**: the report considers that clear lines of responsibility and accountability are an essential component of continuing the process of modernising the EU's administration. It recalls that clear political objectives and individual responsibility for carrying them out against indicators to be laid down when the data from the various studies requested by its Committee on Budgets on the subject are submitted should be the direction of future reforms of the system. In this context, deplores the inefficiencies inherent in a competition system that can leave "approved candidates" languishing on a reserve list for years with no guarantee of being offered a position and considers that maintaining this approach would contribute to lowering the average standard of new EU officials as the best candidates will seek employment in more dynamic sectors of the EU economy. The committee requests a serious commitment from the Commission to look again at this issue in the context of follow-up work to the screening exercise and provide further information with a more detailed breakdown of staff per category and by Directorate General and the evolution foreseen for the coming years. The Commission is called upon to take the employment of trainees into account as a criterion when awarding procurement or service contracts to outside firms. It also restores the PDB for the cuts made by Council to appropriations and establishment

plans in heading 5 and places EUR 49 million in reserve pending the provision of the abovementioned data and studies.

Reports, pilot projects and preparatory actions: the Commission is called upon to present a report on benchmarks with staff in other international organisations as a follow-up to its report on planning and optimising human resources. It should present guidelines to facilitate the financing of public infrastructure under public-private partnerships (PPP). A range of innovative projects that respond to current policy challenges in the EU should be established. Lastly, the committee adopts a range of initiatives that should pave the way for future actions that enhance the European Union's capacity to deal with the real needs of its citizens.