2008 budget: the Commission's Annual Policy Strategy Report (APS)

2007/2017(BUD) - 24/04/2007 - Parliament's opinion on budgetary estimates/guidelines

The European Parliament adopted the resolution drafted by Kyösti **VIRRANKOSKI** (ALDE, FI), and was broadly in accord with its budgets committee in approving the Commission’s annual policy strategy for the 2008 budget procedure.

Parliament wanted firstly to underline the importance it attached to the capacity of an EU of 27 members to make globalisation an opportunity for its citizens and highlighted, in this context, the importance of ensuring that the EU's financial and human resources were appropriately allocated so as to secure the proper functioning of the EU. The Union must maintain its focus on the Lisbon agenda and specifically on sustainable development, growth and jobs, competitiveness and SMEs, and social cohesion, as well as challenges posed by energy policy and climate change. Whilst these proposals were an example of a more flexible approach by the EU to engaging with the real challenges that European citizens face, Parliament pointed out that, as a result of very small margins under the different ceilings of expenditure, the **EU's capacity to react to policy changes in budgetary terms was extremely limited**. It was Parliament’s responsibility as budgetary authority to ensure that the funding allocated to the EU budget is spent with a view to delivering value for money, even though **the Annual Policy Strategy (APS) did not adequately reflect Parliament’s priorities**. In general, Parliament regretted the lack of interaction between the Legislative Work Programme and the budget procedure, and insisted upon a better coherence between the two procedures. Parliament expected the Commission to adjust its priorities on the basis of the decisions to be taken by the budgetary authority in the course of the annual procedure.

A budget for results: Parliamentunderlined the importance that it attaches to EU spending programmes effectively delivering on the political objectives which they were legislated to achieve. As a first step towards a budget for results, it stressed the importance of clarity, consistency and transparency in the presentation of the budget and it supported the Activity based budgeting (ABB) approach. However, it demanded that the Commission respect more closely the ABB and MFF structures and provide clear indications on the correspondence between the APS third classification and the budgetary headings of the IIA of 17 May 2006. Parliament also requested an improvement in the clarity of presentation of the Activity Statements in the 2008 PDB, and greater focus on policy objectives and measurement of policy outcomes and less information on administrative process than has frequently been the case in previous PDB documents.

Human resources: Parliament was strongly of the view that an effective and cost-efficient administrative system for the EU must be equipped with the necessary level of resources, and it awaited the results of an evaluation on the Commission's real staff needs to provide staff for the new political priorities such as energy, climate change, immigration, the implementation of multi-annual programmes and oversight of the transposition of EU law in the Member States. Parliament will evaluate the outcome of the screening in great depth in order to meet future political challenges starting from the 2008 budget procedure. It welcomed the Commission's efforts to re-direct its human resources towards political priorities but rejected the presentation of these priorities according to the labels prosperity, solidarity, security and external projection. It requested the Commission to give it further information regarding human resources policy and redeployment strategy for 2008.

Parliament went on to express its concern at expansion of existing decentralised agencies and recalled that the reduction in available margins will reduce the scope for funding new priorities, such as pilot projects and preparatory actions, and will also reduce the funds available for the expansion of existing

programmes. Any further growth in executive agencies and other bodies might also reduce the operational funds available within programme envelopes. It was determined to clarify the definition, the role and the cost of all bodies defined under Article 185 of the Financial Regulation, to assess the cost-effectiveness of such modes of governance. Parliament stated that it was concerned that the creation of executive agencies and other ad hoc bodies might lead to a growth in the number of EU officials and contractual agents, and to a weakening of the oversight of the EU administration. The Commission should explain in the 2008 PDB how posts requested in new executive agencies and other ad hoc bodies would be offset by reductions in the responsible Directorate-General, and it should address the issue of appropriate oversight of executive agencies so as to ensure democratic accountability.

Multiannual Financial Framework: Parliamentnoted the limited, and in some cases decreasing, margins left under headings 1a and 3 and strongly opposed the Commission's proposal to use the small margins left available under these two headings for new initiatives, considering that the small margins limited the possibility of addressing efficiently any urgent or new political priority. It asked the Commission to present an overview of the margins in the different headings, and an update of the financial programming.

As regards pilot projects and preparatory actions, Parliament recalled that according to the IIA of 17 May 2006, both arms of the budgetary authority must inform the Commission by mid-June of their intentions, and it expressed concern that there might not be sufficient margins available for major new pilot projects and preparatory actions. It was also worried by the proposed back-loading of certain programmes in the 2008 Annual Policy Strategy and the problems that this may be storing up for future years of the MFF taking into account the problem of increasing RALs.

Specific points:several other specific points regarding the budgetary procedure were made in the resolution. Accordingly, Parliament :

- supported the setting up of a European Institute of Technology (EIT) but urged further clarification on the financing of the EIT ;
- was worried about the Commission's proposed 'back-loading' for many of the new programmes under heading 1a and considered that this did not constitute a proper method of financial programming. It reminded the Commission that the budgetary authority and the Commission are allowed to depart by up to 5% from the amount foreseen in the legislative act;
- called upon the Commission to clarify its intentions regarding the financial programming of 'Lifelong learning' and to treat it as a priority;
- requested clarification on how the Commission intended to compensate the TEN-T programme in the years to come, so that the total financial envelope agreed for the TEN-Ts in the MFF is implemented;
- hoped that cohesion policy would remain a priority for both arms of the budgetary authority during the 2008 budget procedure;
- noted that the Commission proposes to decrease the margin for heading 2 by EUR 2 million in order to cover additional activities of the European Environment Agency, and that under heading 3a it wanted to increase the appropriations for Frontex by EUR 10. 9 million in 2008 and to reinforce funding for EUROJUST by an additional EUR 2.5 per year for the period 2008 to 2013. Parliament reminded the Commission that all of these increases have to be agreed by the budgetary authority within the framework of the annual budget procedure;
- expected precise proposals from the Commission as regards the mid-term review of the Common Agricultural Policy;
- encouraged the Commission to continue to defend, as the other Institutions do, its own autonomy in the matter of communication policy, whilst recognising the need for coordination of the different communication policies implemented by the Institutions and it called on the Interinstitutional group to present a more concrete and coordinated working plan for 2008 It reminded the Commission that 2008 is the year preceding the next European elections;

- broadly endorsed the objectives for external actions as set out in the APS, and asked for further reinforcement of cooperation with the developing countries, in particular on climate change and migration, with continuous commitments for fulfilling the Millennium Development Goals especially in basic health and basic education;
- noted the Commission's concept of an 'external projection of priorities', andb that the overall margin forecast for heading 4 is EUR 334 million in order to allow for an adequate response to future needs, such as the outcome of negotiations on the final status of Kosovo and the Middle-East Peace process. However, this margin of EUR 334 million is, in fact, artificially high insofar as it contains EUR 200 million originally foreseen for the Guarantee Fund for loans. Parliament underlined, therefore, that an extra EUR 200 million was available in 2008 on an exceptional basis and urges caution that this was not automatically allocated to longer-term needs which could not then necessarily be financed in later years;
- considered that the rapidly evolving situation in the field of the Common Foreign and Security Policy (CFSP) merits continuous scrutiny and cooperation between the institutions, and that the foreign policy and the linked financial resources needed can only be properly assessed once the Council has consulted Parliament on the main aspects and basic choices of the CFSP.