2011 budget: draft mandate for the draft budget conciliation procedure before the first reading

2010/2002(BUD) - 02/06/2010 - ${summary.subTitle}

The Committee on Budgets adopted the report by Sidonia El?bieta J?DRZEJEWSKA (EPP, PL) on the mandate for the trilogue on the 2011 draft budget.

General remarks on the 2011 draft budget: Members note that the 2011 budgetary procedure is the first of is kind under the Lisbon Treaty with a single reading. This calls for increased cooperation and coordination with the other branch of the budgetary authority, the Council, in order to reach an agreement during the conciliation procedure on all expenditure.

As far as the amount of expenditure is concerned, Members underline that the 2011 draft budget (DB) is EUR 142 576.4 million in commitment appropriations (CA) and EUR 130 147.2 million in payment appropriations (PA), leaving therefore a margin of EUR 1 224.4 million in CA and EUR 4 417.8 million in PA. These total amounts represent respectively 1.15% and 1.05% of the EU's forecast GNI for 2011. They are concerned by the fact that the increase in CA is only 0.77% compared to the 2010 budget as adopted, a difference which is out of step with the widely voiced expectations of the EU budget playing a crucial role in support of Europe's post-crisis economies. They welcome the reduction in the discrepancy between CA and PA compared with the 2010 which indicates better implementation of the EU budget. They note that the bulk (70%) of the overall margin of EUR 1 224.4 million in the DB stems from the margin under heading 2 on the preservation and management of natural resources, and that the other headings ? in particular headings 1a, 3b and 4 ? have very limited margins, thus proportionally reducing the capacity of the EU to react to policy changes and to unforeseen needs while maintaining its priorities.

A modest 2011 budget to meet important challenges: Members recall the priorities established by the Commission for 2011, which are as follows:

- post-crisis support of the European economy,
- implementation of the Lisbon Treaty,
- funding of the new authorities responsible for financial supervision,
- funding of the Global Monitoring for Environment and Security (GMES) initiative,
- implementation of the Stockholm programme, etc.

and question whether the modest increase in CA compared to the 2010 budget is enough to address them. Members underline the importance of a strong reaction to the crisis and to the instability of financial markets that should involve greater funding capacity and flexibility for the EU budget. They await further detailed information on the impact that the European Financial Stabilisation Mechanism decided on at the extraordinary Ecofin Council meeting in May 2010, as well as the impact of the setting up of an efficient monitoring system designed to prevent such a crisis in the future, which would be required to keep Parliament directly informed.

system including the direct provision of information to Parliament

Top priority of the 2011 budget: young people: Members recall that Parliament?s main budgetary priority for 2011 is youth policy. However, the increase in appropriations proposed in the DB for the key youth instruments and programmes, such as Lifelong Learning, Youth in Action and Erasmus Mundus, is rather symbolic. Members call, therefore, for increased funding for these programmes.

Institutions: MEPs are determined t tackle the negotiations on the 2011 budget in a constructive and open-minded manner and expect in return that the Council will adopt a cooperative approach and will depart from an accounting exercise based on savings and budget cuts. They also recall that the Union?s budget can be instrumental in key areas in supporting long-term investment and jobs. The Council is called upon to take this duly into consideration when deciding on the EU budget and to refrain from making across-the-board cuts.

Members then review each of the budget headings and make the following remarks:

- Heading 1a: Members note an increase of 4.4% in CA (to EUR 13 437 million) and of 7% in PA (to EUR 11 035 million) for this heading and note the reduction in appropriations for a number of programmes, such as Customs 2013 and CIP-Entrepreneurship and Innovation. They call for enhanced support for all programmes and instruments aimed at fostering SMEs, given the importance of the sector in ensuring the recovery of the European economy. They recall that the new needs to be financed under this heading (Kozloduy decommissioning programme, European financial supervision authorities, ITER, and GMES, including Parliament's request for increased appropriations for its operational phase) were not provided for when the current MFF was adopted. They also underline that this heading includes many EU2020 strategy flagship initiatives (such as Innovation Union, Youth on the Move, Resource-efficient Europe, New Skills and Jobs, and Industrial Policy for the Globalisation Era) and express doubts regarding the capacity to ensure, in the context of the current financial framework, adequate funding for these initiatives. Among the other policies financed under this heading are the European space policy, which requires both the EU and the Member States to make a further financial effort within the context of the GMES. Members support initiatives in favour of young people and call on the Union to give an unprecedented momentum for the development of a comprehensive EU youth policy. They are disappointed that tourism, which indirectly generates more than 10% of the EU's GDP is not clearly identified in the 2011 DB. They also note the stagnation in the commitment appropriations for EURES and for the three budget lines supporting industrial relations and social dialogue which runs counter to actual needs in terms of the funding of measures in favour of employment;
- Heading 1b: Members note that the 2011 DB provides for an increase of 3.2% in CA to a total of EUR 50 970 million for this heading. They consider, moreover, that adequate resources for cohesion policy are crucial in order to accelerate the recovery of the European economy and to contribute to the Europe 2020 strategy for the regions. They therefore call on the Commission and Council to adopt an amending budget without delay, should payment appropriations not be sufficient to cover needs. They also call on the Commission to keep on working closely with those Member States with a low absorption rate and to continue its reflection on how to reshuffle the complex system of rules and requirements applicable in the sector;
- Heading 2: Members point out that, over the last few years, the budgetary authority has made use of this heading to reach global

agreement on the annual budgets, through use of the margin or redeployment of appropriations for use in other programmes and actions. They note that, despite the claim that appropriations remain stable, assigned revenue is down by more than 25 % in 2011, that market support is down by almost 22% (to EUR 3 491 million), and that appropriations for veterinary and phytosanitary measures show a fall of 7.8%. They express concern about the Commission's optimistic assumptions (in view of increased market volatility and the vulnerability of agricultural activity to health hazards) with regard to trends in agricultural markets in 2011, resulting in a reduction of around EUR 900 million in market-related expenditure. Members urge the Commission and the Council to carefully monitor developments in agricultural markets and to be prepared to react swiftly and effectively with the necessary safety net measures to counter adverse market developments and volatility in market prices. Although they welcome the increase in appropriations for decoupled direct aid, the school fruit and vegetables scheme, and school milk, as well as the appropriations earmarked for the aid for deprived persons programme, Members recall that the Milk Fund adopted under the 2010 budget to mitigate the consequences of the dairy crisis and ask the Commission to examine how the EUR 300 million in exceptional funding for the dairy sector is being used by the Member States with a view to making it permanent. They also mention the increase in appropriations proposed for the implementation of EU policy and legislation on climate action, as well as the increase in CA for LIFE+. They call for increased funding to combat water pollution and for the integrated maritime policy;

- Heading 3a: Members welcome the overall increase in the funds pertaining to this heading (+12.8%) to give practical effect to the Stockholm Programme. They stress the need to increase appropriations for the improvement of detention conditions, for social inclusion measures and social resettlement programmes and to support anti-drug initiatives. They also welcome the proposed increase in CA for the External Borders Fund, the European Return Fund and the European Refugee Fund. They call for sufficient resources to be allocated to the European Asylum Support Office (EASO). They comment once more on the uncertainty of the timetable for the development and entry into operation of the SIS II. They consider it necessary, given that the prospect of a migration to SIS II is growing increasingly unlikely and a replacement option is currently being prepared, to place part of these funds in the reserve, pending further analysis;
- Heading 3b: this heading covers issues of key concern to citizens and is the subject of great concern because appropriations are, once again, reduced (by 0.03% compared with the 2010 budget). Members reiterate that coordinated and multidisciplinary investment in youth must be started without delay as a cross-policy theme. In this regard, call for an increase in youth policy instrument funding and deplore the lack of ambition shown by the Commission in failing properly to address this priority. They confirm their intention to amend the draft budget in order to provide appropriate funding for this priority. They also deplore that there no funding is planned for encouraging and promoting cooperation in the field of youth and sports, that funding has been reduced for programmes promoting European citizenship, communication and information for the media and the DAPHNE Programme to combat violence against children, adolescents and women;
- Heading 4: once again, Members are critical of the very tight margins available under heading 4, which do not allow the EU to react adequately to recurring and emerging crises and emergencies. They point out that the increasing and unbearable discrepancy between this underfinanced heading and the Council's new political commitments on the world stage can only be addressed by a revision of the ceiling under the existing MFF. They also urge the Commission to ensure that extra financial assistance is provided for the new ENPI Multi-Annual Indicative Programmes and National Indicative Programmes for the period 2011-2013 covering Eastern Partnership countries. Noting the proposed decrease of more than 32% in CA for financial assistance to Palestine, the peace process and UNRWA, Members protest against the Commission?s statement according to which 'the exceptionally high allocations of previous years [that] cannot be maintained without jeopardising the funding for other countries in the region. According to MEPs, there is an urgent need for a substantial revision of financing capacities under heading 4, and, above all, this should not lead to a decrease in financial support for the Palestinian Authority in stepping up its institutional capacities. Although they recall their support for the principle of financial assistance for the main ACP banana supplying countries, they reiterate their firm opposition to the financing of Banana Accompanying Measures via the use of the margin. They welcome the increase in appropriations for the CFSP to EUR 327.4 million (CA) in line with the ever more ambitious role the EU wishes to play in zones undergoing a stabilisation process or affected by conflicts and crises. They reiterate Parliament?s intention to provide the European External Action Service with the necessary administrative means to fulfil its mission;
- Heading 5: Members note that total administrative expenditure for all institutions is estimated at EUR 8 266.6 million, i.e. an increase of 4.5%. They recall that the institutions must make all possible efforts to finance the administrative needs related to their staff's remuneration within the appropriations entered in their respective sections of the 2010 budget. Once again, they stress the need to arrive at an effective structure, with a clear definition of responsibilities, in order to avoid any overlapping of tasks and unnecessary (administrative) costs. MEPs are deeply concerned about the fact that, in general, the Commission's outsourcing tendencies, together with the conversion of posts into appropriations for contract agents, have led to a situation where an increasing number of staff employed by the EU are neither visible in the institutions' establishment plans as adopted by the budgetary authority nor paid under heading 5. Moreover, this conversion of establishment plan posts into external staff is likely to have an impact on the quality and independence of the European civil service. MEPs therefore ask for further information regarding the amounts written into the budget in relation to building projects that have significant financial implications for the budget.

Members also make some general remarks in regard to pilot projects and preparatory actions, as well as the agencies. Although they welcome the overall stabilisation of the agencies? budgets (at EUR 679.2 million), they disapprove, as regards the assigned revenue of fee-dependent agencies, of the Commission's approach in increasing margins artificially.

Conciliation: in regard to the conciliation procedure, MEPs recall that the institutions

involved are supposed to reach agreement at the trilogue scheduled for July and recall the following points to be of specific interest for the trilogue due to take place on 30 June 2010:

- budgetary implications of the European Stabilisation Financial Mechanism,
- budgetary implications of the EU2020 strategy,
- youth-related programmes,
- financial sustainability and manageability of heading 1a, including the changes made by the Lisbon Treaty,
- heading 4, including the setting up of the European External Action Service,
- the limited margins in the 2011 DB and the need for a revision of the current MFF.