COUNCIL OF
THE EUROPEAN UNION

Brussels, 2 May 2012

9446/12

PE 187
FIN 315
INST 312

NOTE

from :	General Secretariat of the Council
to :	Delegations
Subject:	Summary of the meeting of the European Parliament's **Committee on Budgets** (BUDG) held in Brussels on 25 April 2012

The meeting was chaired by Mr LAMASSOURE (EPP, FR) and Ms HAUG (S&D, DE).

(The numbering refers to the items as listed on the agenda.)

Workshop on Financial Instruments

Rapporteur: Ms GARDIAZÁBAL RUBIAL (S&D, ES)

An external study on financial instruments used during the multiannual financial framework (MFF) period 2007-2013 and on the Commission's proposals for 2014-2020 was presented by its authors. They emphasised that additional investment from private or other public sector sources was of particular importance in times of economic and financial crisis, in order to multiply the effects of EU spending. They considered that existing financial instruments were a useful tool for stimulating growth. However, they pointed out that more coherence and consistency between the different financial instruments was desirable, that rules needed to be simplified to create a clear and dedicated legal framework, and that more effort was required to increase their visibility and transparency. Moreover, improved risk-sharing arrangements in future investment portfolios could help to achieve higher financing volumes from financial instruments.

The Commission agreed with the findings of the study. Representatives of DG ECFIN and DG REGIO pointed out that the Commission concentrated the use of financial instruments on areas where they provided the highest added value, generated the highest revenue and/or the highest inflow of expertise from the private sector, and on areas which would otherwise - without any participation from the EU side - not be attractive for private investors, possibly due to market failure.

However, according to the DG BUDG representative, the right balance between making financial instruments attractive for market players looking for investment possibilities on the one hand, and ensuring the sound financial management of EU funds on the other hand, still needed to be found. He criticised in this context the Council for taking a too restrictive line on financial instruments and for not accepting the proposals made by the Commission in the context of the revision of the Financial Regulation, notably concerning the possibility of reflows and the reuse of resources.

Representatives of different financial institutions (EIB, EBRD, EIF, CDC and KfW) confirmed the recommendations made in the study: Financial instruments had to be simple, flexible, independent and market-compatible to attract private investors. They had to be economically viable and ensure sufficient benefit for investors.

A representative of small and medium-sized enterprises criticised the existing EU rules on financial instruments for being by far more restrictive than (and often even contradictory to) the EU rules on state aid.

Mr FÄRM (S&D, SE) emphasised that investment needs in the EU were growing while at the same time budgetary constraints at EU and Member State level increased. He therefore supported the Commission's project bonds initiative and suggested further developing the public sector bond market.

In her concluding remarks the rapporteur noted that financial instruments needed to be simplified and become more transparent, but that also more flexibility was required for financial instruments to adapt to market needs. She suggested concentrating on a limited number of financial instruments.

4. Presentation of the Commission's draft budget 2013

taken jointly with

5. 2013 budget - mandate for trilogue

Rapporteur: Mr LA VIA (EPP, IT)

Commissioner LEWANDOWSKI presented the draft budget for 2013, adopted by the College earlier that day, which foresees an increase by +2.0 % in commitment appropriations (c/a) and by +6.8 % in payment appropriations (p/a).

The Commissioner justified the important increase in p/a with the accelerated implementation of EU programmes at the end of the MFF 2007-2013. According to the Commissioner, the cumulated difference between commitments and payments ("RAL") had increased every year since 2007, and the corresponding payment obligations built up during the last years now had to be met. He also pointed out that p/a in the budgets for 2011 and 2012 had been set considerably lower than requested by the Commission, which resulted in a "backlog" of payments, notably concerning reimbursements to Member States in the Cohesion area. He recalled that, at the end of 2011, an overall amount of EUR 11 billion could not be reimbursed to Member States and therefore needed to be reimbursed during the first months of this year, making use of p/a in the 2012 budget. He expected a similar pressure from Member States at the end of this year, resulting in additional requirements for p/a in 2013.

Commissioner LEWANDOWSKI outlined that the proposed increase in p/a in 2013 was concentrated on the areas of Competitiveness (Research +28 %, Lifelong Learning +16 %, Competitiveness and Innovation programme +48 %), Cohesion (Structural Funds +12 %, Cohesion Fund +10 %), Solidarity and the management of Migration flows (+18 %).

The Commissioner stressed that the proposed increase in c/a was limited to inflation. As a result the overall level of "RAL" would decrease in 2013.

He noted with satisfaction that the Commission's call for a restrictive approach on administrative expenditure and on the number of staff had been respected by most institutions. However, due to an important increase in pensions obligations, overall administrative expenditure would need to increase by +3.2 % (Croatia enlargement included).

Finally, the Commissioner explained that savings in research (EUR 351 million) and other programmes (EUR 180 million) would allow the financing of the additional requirements of the ITER project in 2013 (EUR 360 million), as well as increases for other programmes supporting growth and jobs (EUR 128 million).

The rapporteur for the Commission's section of the budget, Mr LA VIA, welcomed the Commission's draft budget for 2013 and considered it as a responsible and realistic proposal. He was satisfied that the European Parliament's priorities had been taken into account by the Commission, and that sufficient appropriations had been foreseen for programmes with high implementation rates. Nevertheless, he pointed out that the original budgetary requests made by the Commission's services would have resulted in a higher increase, and he therefore reserved the right to revise his position in the course of the year when updated figures would be available.

The rapporteur was supported by Ms JĘDRZEJEWSKA (EPP, PL), Mr GODMANIS (ALDE, LV), and Ms TRÜPEL (Greens/EFA, DE) who stressed that the important increase in p/a proposed by the Commission was the result of political decisions taken in previous years by both arms of the budgetary authority.

Ms GARDIAZÁBAL RUBIAL considered that the Commission's emphasis on growth and jobs was not sufficiently reflected in its budget proposal. She regretted that appropriations for a large number of programmes would even decrease in nominal terms in 2013. Moreover, from her point of view, the additional financing of ITER was not covered through savings but through cuts in the research budget.

For Mr ALVARO (ALDE, DE) the increases proposed by the Commission were not acceptable. He suggested instead reducing the margins currently foreseen in the draft budget, and more strictly scrutinising the real added value of the proposed programmes and measures. Ms HOHLMEIER (EPP, DE) equally asked to thoroughly analyse the efficiency, effectiveness and sustainability of EU activities in order to bring down the increases proposed by the Commission.

Along the same lines, Mr ASHWORTH (ECR, UK) called on the Commission to do what national and local authorities in Member States, as well as the private sector were doing these days and to identify possibilities for real savings.

Ms ANDREASEN (EFD, UK) questioned the real need for the proposed increase in p/a and recalled that not all budgetary commitments finally resulted in legal payment obligations.

The rapporteur for the other institutions, Mr VAUGHAN (S&D, UK), emphasised that the EU institutions had demonstrated their willingness and ability to make savings. He suggested an increased cooperation between the institutions in fields such as translation, interpretation, human resources and IT in order to further bring down their budgetary requirements in 2013.

6. Draft amending budget No 2 for 2012: EU Solidarity Fund appropriations to address flooding in Italy (Liguria and Tuscany) in 2011

Rapporteur: Ms BALZANI (S&D, IT)

This item was postponed.

7. MFF 2014-2020 / own resources

Rapporteurs: Mr BÖGE (EPP, DE), Mr KALFIN (S&D, BG), Mr DEHAENE (EPP, BE), Ms JENSEN (ALDE, DK)

Mr BÖGE informed the Committee about the meetings of the European Parliament's delegation with the Council Presidency before and after the General Affairs Council meeting on 24 April 2012. He reminded them that the "negotiating box" prepared by the Council Presidency could not pre-empt the legislative negotiations between the institutions to take place later this year, and that the European Parliament had to give its consent to the MFF and to major elements of the own resources package. He made clear that sufficient flexibility in the MFF was one of the priorities for the European Parliament and a precondition for the European Parliament for giving its consent.

According to Mr BÖGE, a European Parliament plenary debate on the MFF was planned for the second plenary session in May.

8. EU programme for social change and innovation

Rapporteur: Ms GRELIER (S&D, FR)

The rapporteur presented her draft opinion for the Committee on Employment and Social Affairs in which she suggested an allocation of funds to the sub-programmes differing from the shares foreseen in the Commission proposal. She put particular emphasis on the microfinance facility which, from her point of view, provided the highest added value.

Mr KOZŁOWSKI (EPP, PL) did not agree with her proposal and preferred to align to the distribution of allocations proposed by the Commission. He supported the idea of a single programme for social change and innovation, instead of breaking it up into the different elements which previously existed, and underlined in this context the key role of the Commission which should be given sufficient discretion and flexibility to coordinate EU policies in the areas of employment and social policy. Moreover, he emphasised the importance of financing also smaller projects and not only those exceeding a "critical mass" as it was often current practice.

9. Health for Growth Programme, the third multi-annual programme of EU action in the field of health for the period 2014-2020

Rapporteur: Ms WERTHMANN (NI, AT)

The rapporteur presented her draft opinion for the Committee on Environment, Public Health and Food Safety and emphasised the growing importance of health from an economic perspective, given the long-term decline in the EU population and the increase in the average age.

Ms MAZZONI (EPP, IT) supported the rapporteur. She suggested looking at further risk factors as potential causes of diseases, and to include them also in the objectives of the proposed regulation.

10. Implementation and exploitation of European satellite navigation systems

Rapporteur: Ms CARVALHO (EPP, PT)

The rapporteur fully endorsed the Commission's proposals for funding the Galileo and EGNOS programmes under the next MFF. She insisted on a regular reporting to the budgetary authority about the implementation of the programmes, and on an early information about possible risks that could cause significant programme deviations in terms of cost or time schedule.

Mr REMEK (GUE/NGL, CZ) called for improved mechanisms to control and manage the risks of both programmes. Mr SUSTA (S&D, IT) pointed out that future cost overruns should be covered by the safety margins included in the financial envelopes foreseen for the programmes, or ultimately by the margin available between the own resources ceiling and the MFF ceilings.

11. Financial rules applicable to the annual budget of the union

Rapporteurs: Ms GRÄSSLE (EPP, DE), Mr RIVELLINI (EPP, IT)

This item was postponed.

12. Amendment of Decision No 1639/2006/EC establishing a competitiveness and innovation framework programme (2007-2013) and of Regulation (EC) No 680/2007 laying down general rules for the granting of community financial aid in the field of the trans-European transport and energy networks

Rapporteur: Mr FÄRM (S&D, SE)

BUDG voted on 99 tabled amendments, 1 oral amendment and 10 compromise amendments prepared by the rapporteur. The rapporteur's draft report was then adopted as amended.

13. Amendment of Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013

Rapporteur: Mr LA VIA (EPP, IT)

BUDG voted on 1 tabled amendment. The rapporteur's draft report was then adopted.

14. 2012 budget: section III - Commission

Rapporteur: Ms BALZANI (S&D, IT)

Transfer proposal No DEC06/2012 (Emergency Aid Reserve) was approved.

15. 2012 budget: other sections

Rapporteur: Mr FERNANDES (EPP, PT)

No transfer requests were presented.

16. Buildings policy

Rapporteur: Ms HOHLMEIER (EPP, DE)

The rapporteur, Ms HOHLMEIER, outlined the Commission's construction project for an office building at the Geel site of the Commission's Joint Research Centre.

The Committee decided not to issue an opinion on this building project, as recommended by the rapporteur.

17. Any other business

No other item was discussed.

8. Date of next meeting

Tuesday 8 May 2012, 15h00 - 18h30 (Brussels)