



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 10 April 2014

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INST 217**

NOTE

from :	General Secretariat of the Council
to :	Delegations
Subject:	Summary record of the meeting of the European Parliament's Committee on Budgets (BUDG) held in Brussels on 31 March and 1 April 2014

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

BUDGET 2015

Item 4 on the agenda

Monitoring group on External action, in particular humanitarian aid

As a follow-up to the discussion held in BUDG on 4 March 2014, and to additional information provided by the Commission, the rapporteur for the 2014 budget, Ms JENSEN (ALDE, DK), stressed the serious situation regarding payments in the area of humanitarian aid. She expressed concerns about the increasing backlog of unpaid bills, with meanwhile EUR 300 000 due in interest for late payments.

The Commission's Director-General for Budget (Mr JOUANJEAN) said that the 2013 budget had been fully used, both in payment and commitment appropriations, despite successive draft amending budgets (DAB). The level of outstanding commitments (RAL) was expected to grow this year by a further EUR 4.5 billion. Under heading 4 (Global Europe), the use of funds reached almost 100 % in 2013, despite a budget increase of nearly EUR 500 million, and despite a rise in appropriations for humanitarian aid of EUR 410 million in payments and commitments.

He said that the payments situation in 2014 was particularly difficult, with unpaid bills of EUR 23.4 billion for cohesion alone carried over from 2013 to 2014. He acknowledged, however, that this situation was not unexpected and that it had already been identified during the adoption of the budget. Some external programmes were expected to face particular difficulties. He described a number of measures which were being taken to improve the situation, including a reduction in pre-financing, redeployment, and recourse to the Emergency Aid Reserve. He said that the Commission would ask for the mobilisation of the full margin under the payments ceiling, as well as all possible measures of flexibility available in the multiannual financial framework (MFF) and the Interinstitutional Agreement, including the Contingency Margin. He concluded by expressing the hope that the Council would respond swiftly to the transfer requests presented by the Commission, while noting that he was confident that the European Parliament would do so.

The Chairman, Mr LAMASSOURE, indicated that BUDG had put this issue on its agenda because its Members had serious concerns which should not be further affected by the forthcoming European Parliament recess.

The Commission's Director-General for Humanitarian Aid and Civil Protection (Mr SORENSEN) agreed with Ms JENSEN on the seriousness of the situation. He said that the EU was contractually obliged to make advance payments of up to 80 % of the amounts promised to UN organisations delivering the EU aid, but that these accepted some delays in the Union's payments. He pointed out that the Commission had also asked non-governmental organisations to postpone payments and to pay out only 40 % of the payments due instead of 80 % as it was normally the rule. He underlined that each cash payment reduced the Commission's margin for new contracts and that the Commission was counting on the goodwill of the budgetary authority, but had to make sure in the meantime that it could meet all payment obligations. He referred to the Commission's request for a transfer of EUR 150 million which was vital for being able to continue honouring the EU's contracts. He said that in addition a draft amending budget of EUR 250 million was needed. This would then leave the same backlog of EUR 150 million as last year. He pointed to a possible longer-term solution based on joint financing schemes of EU and Member States, such as the joint financing with France for Côte d'Ivoire. He concluded by saying that everyone was looking towards the MFF mid-term review for more sustainable solutions.

A representative of the Commission's Directorate-General for Development and Cooperation made a similar presentation outlining the serious financial situation on development-related payments. He noted that the differential between payments and commitments was expected to create an additional RAL of approximately EUR 1.3 billion in 2014. Another Commission representative added that the EUR 11 billion promised for Ukraine would only make sense if it was disbursed very quickly, and noted that this major financial effort would use up a significant part of the Neighbourhood instrument.

The rapporteur, Ms JENSEN, concluded that the sectors particularly hit were those where the EU could do a lot with limited financial means. She specifically expressed concern about the situation of funds in favour of Palestine through the UNRWA.

Item 5 on the agenda

Presentation of the study "How do member states handle contributions to the EU budget in their national budgets"

This item was postponed.

Item 6 on the agenda

The situation of payments and outstanding commitments ("RAL")

- Exchange of views

The Chairman, Mr LAMASSOURE, referred to a letter which he had sent jointly with the Chairman of the European Parliament's Committee on Foreign Affairs, Mr BROK (EPP, DE), to Commissioner LEWANDOWSKI asking for an explanation of the composition of the EU support package for Ukraine. He also recalled that an oral question had been put to the Commission and the Council on the level of payment appropriations.

The co-rapporteurs for payment appropriations and RAL and for the 2014 budget (Section III - Commission), Mr MULDER (ALDE, NL) and Ms JENSEN, presented a note on the situation of payments and RAL. Mr MULDER highlighted that the total cumulated RAL at the end of 2013 amounted to approximately EUR 221 billion, to be compared with the total annual EU budget of EUR 135 billion in payment appropriations. In his opinion, either the overall level of commitment appropriations in the MFF would need to be reduced in the future, or the level of payment appropriations would need to be increased, both requiring a Member States' decision by unanimity.

Ms JENSEN considered this situation as particularly alarming, given the fact that the outstanding payments mainly concerned old contracts. She expressed her support to a "sunset clause" obliging Member States to return unspent appropriations, which could result in important de-commitments.

The Commission's Director-General for Budget (Mr JOUANJEAN) stated that past commitments would have to be honoured in due course and that there would not be any alternative but to pay. He stressed that modifying the level of commitments in the MFF had to be decided by unanimity and that any change affecting these would put at risk the overall political balance. He therefore could not see how a proposal for reducing the level of commitments could be made. He concluded that the only way out of the current situation was to fully use all elements of flexibility, and to slow down, wherever possible, the pace of payments to countries less in need, in order to overcome the payments peak to be reached this year or next year until the MFF review exercise can start. That would be the moment to possibly reconsider whether to review the level of commitments.

Mr GARRIGA POLLEDO (EPP, ES) considered the debate on this issue premature. He agreed that commitments reflected a political will and that touching on these implied reviewing political priorities. He therefore agreed with Mr JOUANJEAN that the best solution would be to wait for the MFF review process, during which a significant increase in payments would need to be envisaged. He said that, apart from informing on the situation and ringing the alarm bell, little could be done under the present circumstances, besides flagging that the problem would still be there in 2015.

The Chairman concluded the debate by stating that there was a duty in the present election campaign to clearly inform national political parties and the citizens of the fact that the EU currently did not have the financial means to support its political choices.

***** Voting time *****

Item 7 on the agenda

System of own resources of the European Union

BUDG/7/06381

Co-Rapporteurs: Ms JENSEN (ALDE, DK) and Mr DEHAENE (EPP, BE)

- Consideration and adoption

BUDG voted on 13 amendments, as well as on 2 compromise amendments and one oral amendment presented by the two rapporteurs. The rapporteurs' draft report was adopted as amended.

Draft calendar:

Adoption in Plenary: April II

Item 8 on the agenda

Implementing measures for the system of own resources of the European Union

BUDG/7/06469

Co-Rapporteurs: Ms JENSEN (ALDE, DK) and Mr DEHAENE (EPP, BE)

- Consideration and adoption

BUDG adopted the rapporteurs' draft recommendation suggesting the European Parliament to give its consent to the draft Council Regulation.

Draft calendar:

Adoption in Plenary: April II

Item 9 on the agenda

Implementing measures for the system of own resources of the European Union

BUDG/7/15311

Co-Rapporteurs: Ms JENSEN (ALDE, DK) and Mr DEHAENE (EPP, BE)

- Consideration and adoption

BUDG voted on 22 amendments, as well as on 2 compromise amendments and 3 oral amendments presented by the two rapporteurs. The rapporteurs' draft report was adopted as amended.

Draft calendar:

Adoption in Plenary: April II

Item 10 on the agenda

The methods and procedure for making available the traditional and GNI-based own resources and the measures to meet cash requirements (recast)

BUDG/7/06473

Co-Rapporteurs: Ms JENSEN (ALDE, DK) and Mr DEHAENE (EPP, BE)

- Consideration and adoption

BUDG adopted the rapporteurs' draft report suggesting the European Parliament to approve the draft Council Regulation without any modifications.

Draft calendar:

Adoption in Plenary: April II

Item No 11 on the agenda

Mobilisation of the European Globalisation Adjustment Fund: application EGF/2012/004 ES/Grupo Santana from Spain

BUDG/7/15430

Rapporteur: Mr DAERDEN (S&D, BE)

- Consideration and adoption

BUDG voted on 8 amendments, as well as on one oral amendment presented by the rapporteur. The rapporteur's draft report was adopted as amended.

Draft calendar:

Adoption in Plenary: 16 April

Item No 12 on the agenda

Mobilisation of the European Globalisation Adjustment Fund: application EGF/2012/007 IT/VDC Technologies from Italy

BUDG/7/15392

Rapporteur: Mr DAERDEN (S&D, BE)

- Consideration and adoption

BUDG voted on 6 amendments, as well as on one oral amendment presented by the rapporteur. The rapporteur's draft report was adopted as amended.

Draft calendar:

Adoption in Plenary: 16 April

Item 13 on the agenda

2014 Budget - Transfers - Section III - Commission

Rapporteur: Ms JENSEN (ALDE, DK)

Transfers No DEC04/2014 and DEC05/2014 were approved.

Item 14 on the agenda

2014 Budget - Transfers - Other Sections

Rapporteur: Ms HOHLMEIER (EPP, DE)

European Court of Auditors transfer No V/AB-02/T/14 was approved.

European External Action Service's request for amendment of its establishment plan was approved.

Item 15 on the agenda

Buildings policy

Rapporteur: Ms HOHLMEIER (EPP, DE)

Following a recommendation by the rapporteur, Ms HOHLMEIER, BUDG decided not to establish an opinion on the European Court of Auditors' K3 building project.

Item 16 on the agenda

Reporting on the work of the Joint Working Group Bureau / BUDG

Chair of BUDG delegation: Mr LYON (ALDE, UK)

This item was postponed.

Item 17 on the agenda

Reporting on the state of negotiation on the Amendment of Regulation (EU, Euratom)

No 966/2012 as regards the financing of European political parties under Rule 70

(COM(2012)0712 - 2013/0336(COD))

Rapporteur: Ms GRÄSSLE (EPP, DE)

The rapporteur, Ms GRÄSSLE, presented the agreement reached between the European Parliament and the Council on 27 March 2014. She emphasised that the number of modifications and exceptions had been limited to the minimum necessary.

BUDG approved the final compromise text as recommended by the rapporteur.

Item 18 on the agenda

Reporting on the state of negotiation on the Financial rules applicable to the general budget of the Union under Rule 70

(COM(2013)0639 - 2013/0313(COD))

Rapporteur: Ms GRÄSSLE (EPP, DE)

The rapporteur, Ms GRÄSSLE, presented the compromise agreed at the trilogue on 20 March 2014 and confirmed by the Council on 27 March 2014. She pointed out that a "nearly automatic" carry-over of unspent appropriations had been preserved in the agreed text, but regretted that this possibility had been limited to the years 2014-2016 ¹.

BUDG approved the final compromise text as recommended by the rapporteur.

Item 19 on the agenda

Hearing on 'Implementing the Youth Employment Initiative'

During a hearing jointly organised with the European Parliament's Committee on Employment and Social Affairs (EMPL), the progress made in the eligible regions with the establishment and implementation of the Youth Employment Initiative (YEI) was examined. The EMPL rapporteur, Ms MORIN-CHARTIER (EPP, FR), opened the debate by recalling the difficulties faced by young people in Europe to enter the labour market which, in her opinion, required urgent and efficient solutions at European, national and local level. She welcomed the political initiative of a "youth guarantee" to facilitate the access of the young to the labour market.

The BUDG rapporteur, Ms JĘDRZEJEWSKA (EPP, PL), pointed out that in certain Member States the level of unemployment of young people was dramatic, reaching up to 25 %, and required a policy response. The main purpose of the hearing should be to find out how the concept of a YEI, originally developed in the Nordic countries and in Austria, could be implemented in the most concerned Member States in Southern Europe, and to identify possible ways of fine-tuning that might still be necessary. Moreover, it should be made clear that many of the measures needed to be complemented by further efforts at national level.

BUDG co-rapporteur Mr DAERDEN (S&D, BE) considered that the amount of EUR 6 billion agreed for the YEI would be insufficient. He also emphasised that in the current situation it was difficult for many Member States to provide the necessary co-financing.

¹ The term "nearly-automatic carry-over" was used by Ms GRÄSSLE and refers to the procedure foreseen in the new Article 178a of the Financial Regulation and applicable to commitment appropriations for projects financed under the Connecting Europe Facility for the financial years 2014, 2015 and 2016.

The Commission's Director-General for Employment, Social Affairs and Inclusion (Mr SERVOZ) admitted delays in the implementation of the YEI in certain Member States, due to coordination problems at national level between the different Ministries in charge, but also due to the fact that not all unemployed young people were registered with their national employment services. He underlined that Member States with cash-flow problems could receive support from the European Investment Bank to co-finance YEI measures. He also agreed that the amount of EUR 6 billion under the YEI would need to be topped up by appropriations from the European Social Fund (ESF).

Representatives of European youth organisations reported on their experience as "beneficiaries" of EU funds. They underlined that the aid financed from the YEI was only a "drop in the ocean", that the supported training measures often did not meet the required quality standards, and that the support did not always reach its real target groups, i.e. the persons with the highest needs. They were concerned that the funds made available under the YEI were limited in time and risked being used by employers for replacing "normal" jobs by staff supported from the YEI scheme. Therefore they asked to be more involved in the design, implementation and monitoring of YEI measures on the spot. They emphasised that promoting growth and creating new jobs in Europe, e.g. through tax incentives, was by far more important for young people in Europe than the support from the YEI.

This idea was taken up by Mr KLUTE (GUE/NGL, DE) who considered that professional training measures financed from the YEI would be useless if the local beneficiaries could not be motivated in parallel through the creation of new jobs in their region requiring the same professional qualification.

Ms TRÜPEL (Greens/EFA, DE) recalled that absorption capacities for aid from the YEI were limited in some Member States, and that providing too much funds might result in the financing of "dubious" training activities and organisations.

Mr RÜBIG (EPP, AT) suggested encouraging more young people to start their own businesses and to set up programmes reducing the risk incurred in the start-up phase. Mr KOZŁOWSKI (EPP, PL) supported this idea - from his point of view, promoting entrepreneurship was the best way to create additional employment in Europe. He suggested providing more loans for starting a new business and to develop partnerships of entrepreneurs at local level.

Ms GRÄSSLE warned that Member States in economic difficulty often had to solve structural problems at national level, and that support from the YEI could rather slow down necessary structural changes. Along the same lines, Mr NARANJO ESCOBAR (EPP, ES) mentioned that unemployment in Spain was to a certain extent the result of an inflexible labour market, a lack of mobility among young people and their insufficient preparation by the national education system for entering into employment.

Mr GARRIGA POLLEDO regretted the reported shortcomings in the design of the YEI and recalled that there was also a positive experience in some Member States. Mr KALFIN (S&D, BG) highlighted the importance of sufficient appropriations during the coming years both for the YEI and the ESF. Mr CERCAS (S&D, ES), however, pointed out that measures at national level to fight youth unemployment were equally important.

In the second part of the hearing, representatives of national employment services reported on the state of implementation of schemes funded under the YEI in Belgium, Italy and Poland. They outlined their difficulties in reaching all target groups with the proposed measures and highlighted the importance of close cooperation with local authorities, social partners and youth organisations.

The rapporteur, Ms JĘDRZEJEWSKA, concluded the hearing by recalling the important impact which the YEI could have on the labour markets in Member States if it were properly implemented. She suggested continuing the debate and exchanging best practices between national authorities and employment services on "how to push frozen structures towards innovative ideas".

Item 20 on the agenda

Any other business

No other item was discussed.

Item 21 on the agenda

Next meeting(s):

10 April 2014, 9:00 - 12:30 (Brussels)