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Committee on Culture and Education

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WORKING DOCUMENT

on the policy challenges and budgetary resources for a sustainable European Union after 2013 (SURE Committee)

Committee on Culture and Education

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1. EU budget and the annual budgetary procedure

The EU budget covers the spending of all the EU Institutions for a given year. It fixes income and expenditure, lists all the activities that are to be funded and sets out the total amounts of money and staff available.

EU spending is limited by the Treaties. Since the annual EU budget is not allowed to be in deficit, each year the revenue must cover the whole cost of activities. This revenue comes from three main sources:

– customs duties,

– a share of the harmonised value added tax (VAT) base of each Member State,

– a further contribution from the Member States based on the size of their gross national income (GNI).

The annual budgetary procedure determines the details of the EU's expenditure within the limits of a fixed multiannual financial framework. The annual spending plans are negotiated between the Parliament and the Council on the basis of a Commission proposal.

Since the entry into force of the Lisbon Treaty, Parliament and Council are genuinely co-legislators for the entire budget. Only one reading by the Council and the Parliament is foreseen, and the former distinction between compulsory (largely, agricultural) and non-compulsory expenditure (almost everything else) has been abolished.

2. CULT budget lines

The CULT Committee is responsible for around 65 budget lines, with a total annual budget of around EUR 2 billion which represents ca 1,8% of the total EU budget. Most of this falls under heading 1a "Competitiveness for growth and employment" but substantial amounts are also committed under headings 3b "Citizenship" and 5 "Administration" of the multiannual financial framework.

The bulk of expenditure goes to the 7 multiannual funding programmes. These programmes are politically very visible elements of EU policy-making, close to the citizens and often very popular (for example, the Erasmus student mobility action, which is part of the Lifelong Learning Programme; or the European Capitals of Culture action, which is part of the Culture 2007 programme).

3. Multiannual Financial Framework

The Multiannual Financial Framework (MFF) lays down maximum amounts ("ceilings") by broad category of expenditure ("headings") for a clearly determined period of time. It is essentially a multiannual spending plan for all EU expenditure, agreed by Parliament and Council.

Until the entry into force of the Lisbon Treaty, the MFFs (earlier "Financial Perspectives") were set up by inter-institutional agreements of Parliament, Council and Commission. Essentially political agreements, they didn't have the same legal force as a co-decided law. For example, the current MFF 2007–2013 is based on the Inter-institutional Agreement (IIA) of 17 May 2006 "on budgetary discipline and sound financial management"[1].

The Lisbon Treaty has made MFFs compulsory. According to Article 312 of the Treaty on the Functioning of the European Union, the Council shall adopt a Regulation laying down the MFF with duration of at least five years, after obtaining the consent of the Parliament, given by a majority of its members.

The Commission must present its proposals for the next MFF before 1 July 2011. In October 2010, the Commission published a *Communication on the EU Budget Review* (COM(2010)700), setting out some of the issues facing the EU budget for the next framework and beyond.

4. SURE Committee

The Special committee on the policy challenges and budgetary resources for a sustainable European Union after 2013 (SURE Committee) was established in July 2010, with a one year mandate.

The SURE Committee has the following responsibilities:

– define Parliament's political priorities for the post-2013 MFF, both in legislative and budgetary terms;

– estimate the financial resources necessary for the EU to attain its objectives and carry out its policies for the period starting 1 January 2014;

– define the duration of the next MFF;

– propose, in accordance with those priorities and objectives, a structure for the future MFF, indicating the main areas of EU activity;

– submit guidelines for an indicative allocation of resources between and within the different headings of expenditure of the MFF in line with the priorities and proposed structure;

– specify the link between a reform of the financing system of the EU budget and a review of expenditure to provide the Committee on Budgets with a sound basis for negotiations on the new MFF.

In brief, the SURE Committee will prepare Parliament's negotiating position on the next MFF. It will report to the plenary in June 2011 and will address issues such as the length, structure, and flexibility of the next MFF, and the extent to which EU expenditure is justified

[1] OJ C 139 of 14.6.2006.

by demonstrable "European added value".

Each standing committee has been invited to draw up an opinion for the SURE Committee. The presentation of the draft report in the SURE Committee is foreseen (in two parts) for 17 March and 7 April, and the vote is envisaged for 26 May.

a) Structure (and flexibility)

Commission

The above Commission Communication on Budget Review refers to the excessive inflexibility of the current MFF, as the MFF and the programmes have not always been able to respond to political imperatives and changing circumstances. It highlights that "the right balance has to be found between predictability and the important goals of flexibility, conditionality and payment on the basis of results, as well as between simplification and the controls required for sound financial management".

According to the Commission, there is an obvious benefit in a budget which in structure as well as balance reflects the EU's political priorities. It proposes two restructuring options:

1. reduce the number of headings from six to three and take out subheadings, or

2. organise the budget around the Europe 2020 strategy with three headings as above, and four subheadings.

SURE Committee

The SURE reflection paper on *Flexibility in the post-2013 MFF* (Rapporteur: Salvador Garriga Polledo) comments on the above options proposed by the Commission:

1. provides a strong increase in flexibility; however, political visibility and transparency would be reduced;

2. Commission should provide details on the allocation of the different policies to the different EU 2020 subheadings, as the flexibility of the MFF will depend largely on how this allocation is done.

CULT Committee

For the moment, most CULT budget lines fall under different subheadings of headings 1a "Competitiveness for growth and employment" and 3b "Citizenship" (each of the European Schools – for which CULT is responsible in the EP – has a budget line of its own, as does the Board of Governors, in heading 5 "Administration").

Reducing headings and subheadings would increase flexibility and help reallocation of funds among budget lines. Experience with heading 3b has shown difficulties which arrive when a number of rather small programmes are brought together within a small subheading: it is difficult to increase funding for successful programmes or to reallocate funds away from programmes where take-up has been lower than anticipated. In short, small subheadings should be avoided.

b) Duration (and flexibility)

According to the Treaty, the MFF has to be fixed for at least 5 years. The last three MFFs have been concluded for a period of 7 years.

Commission

The Commission Communication considers the following options:

– **5 years** (advantages: an increased ability to reflect new needs; disadvantages: maybe too short for proper planning and deeper changes within programmes),

– **7 years with a major review after five years** to allow a final reallocation targeted specifically at EU 2020,

– **10 years with a substantial mid-term review (5+5)**; this option would give sufficient flexibility for major changes in priorities. Overall ceilings and the core legal instruments could be fixed for 10 years, but the distribution of resources within headings, and the prioritisation within programmes and instruments could be left open for re-assessment.

SURE Committee

The SURE reflection paper on the duration of the MFF post-2013 (Rapporteur: Salvador Garriga Polledo) examines the following options:

– **Option 1:** 5-year MFF cycle, starting in 2014, immediately after the current MFF expires,

– **Option 2:** 5-year MFF cycle, starting in 2021, being phased in after on 7-year "transition" MFF 2014–2020, to allow for a staggered synchronisation with the EP/COM legislature,

– **Option 3:** 5-year MFF cycle, starting in 2016, after a prolongation of the current MFF, to allow for a staggered synchronisation with the EP/COM legislature,

– **Option 4:** 10 year MFF cycle with a substantial mid-term review, Commission's 5+5 proposal.

It also argues that it might be impossible to combine the need for flexibility and the need for longer programming cycles, and asks among other things how the multiannual programmes' duration should be synchronised to the MFF's duration.

CULT Committee

It is crucial to find the right balance between predictability and flexibility in order to allow both long-term consistency and predictability in implementation of the multiannual programmes and the smooth functioning of the budgetary cycle. For the culture and education programmes, too short a cycle may hamper the implementation of the progammes, while too long a cycle may be inflexible.

c) European added value and political priorities

Commission

According to the Commission Communication, it is important to identify where expenditure through the EU budget is more efficient than spending at national level. The EU budget should be used to finance actions that Member States and regions cannot finance themselves or where it can attain better results. In short, it should make something happen which would not otherwise happen: it should be genuinely "additional" and provide "European added value".

SURE Committee

In SURE, the difficulty of quantifying the concept of European added value, the need to increase efficiency in delivery, coordination with national budgets and the additional pressure on the EU budget in view of the new competences provided for by the Lisbon Treaty, have been at the core of the debate.

CULT Committee

The background against which the next MFF must be negotiated is dominated by the very difficult fiscal position in a majority of Member States. National expenditure plans – indeed, domestic politics in the Member States generally – for much of the coming decade will be dominated by tax rises, spending cuts and welfare reforms designed to reduce public deficits and public debts to sustainable levels. Therefore, a defence of the existing levels of expenditure on the programmes for which the CULT committee is responsible (let alone any increase) must be based on a clear and persuasive demonstration of their European added value: Member States must be convinced that expenditure at European level actually saves money compared with the same expenditure on the same policies at national level.

As regards the Lifelong Learning Programme and its mobility schemes in education, especially Erasmus, demand currently goes well beyond supply, with an execution rate of close to 100%. It is therefore plainly arguable that these programmes bring clear and measurable European added value. The Commission therefore suggests that these mobility programmes be extended and that the allocation of resources could be linked more closely to take-up.

The Committee needs to consider how far the same point applies to the other programmes for which it is responsible in the EP. The Media 2007 programme is a rather different case, since its "product" is training, production and distribution projects. Similar remarks apply to the Culture 2007 programme. By contrast, the Youth and Citizenship programme pursue rather different goals, each including substantial expenditure on European-level NGOs which speak for the respective sectors of civil society.

Finally, against the difficult financial background already mentioned and the clear possibility that the next MFF may result in no more than a "steady-state" level of funding, it will be essential to maximise synergies between different policies, programmes and parts of the MFF. In particular, the SURE Committee should underline the importance of maximising synergies between expenditure on agricultural and structural policies, on the one hand, and lifelong learning, youth and cultural projects on the other hand.