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Committee on Culture and Education

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OPINION

of the Committee on Culture and Education

for the Committee on Budgets

on Section III (Commission) of the draft general budget of the European Union
for the financial year 2005
(C5-0300/2004 – 2004/2001(BUD))

Draftsman: Helga Trüpel

SHORT JUSTIFICATION

THE PRELIMINARY DRAFT BUDGET (PDB)

1. The European Community budget for 2005 will be the sixth - and penultimate - annual budget under the current (2000-2006) **Financial Perspective**¹. Together with the reference amounts provided for in the legal bases adopted under the codecision procedure, the Financial Perspective remains the main point of reference for the budget procedure. It sets financial ceilings for each of the headings representing broad categories of expenditure (e.g. Heading 1: Agriculture, Heading 2: Structural Funds): the margins left under the ceilings provide some room for manoeuvre.

2. The **Preliminary Draft Budget** was adopted by the Commission on 28 April. It proposes commitment appropriations (i.e. appropriations for new financial commitments in the year 2005) of some EUR 117,2 billion; and payment appropriations (i.e. the total sum that may be paid in 2005) of EUR 109,5 billion. This means that, compared with budget 2004, the Commission is proposing for budget 2005 as a whole an increase of 5,2% in commitments and 9,8% in payments. Four-fifths of the PDB for 2005 is taken up by agriculture and rural development (commitments of EUR 50,7 billion, 43% of the total) and the structural and cohesion funds (commitments of EUR 42,4 billion, 36% of the total).

3. **Heading 3 (Internal Policies)** now comprises 26 separate policy areas (e.g. 06 energy and transport, 08 indirect research, 24 fight against fraud). The PDB proposes an increase of 2,9% in commitment appropriations to EUR 8,96 billion (about 7,6% of all commitments): an increase of 2,9% is also proposed for payment appropriations, taking these to some EUR 7,73 billion. The Commission's proposals leave a margin of EUR 53,4 million under this Heading.

4. **Policy area 15 (Education and Culture)** Chapter by chapter, the PDB makes the following proposals for commitment appropriations for this policy area (EUR millions):

CHAPTER		BUDGET 2004	PDB 2005	CHANGE %
15 01	Administrative expenditure: staff	104,1	114,1	+9,6
15 01 60	Purchasing of information	2,4	2,4	
15 02	Education	372,5	414,5	+11,3
15 03	Vocational training (EMPL)	245,0	237,1	- 3,2
15 04	Culture and language	42,4	39,9	- 5,9
15 05	Audiovisual policy & sports	97,1	88,7	- 8,7
15 06	Dialogue with the citizens	24,5	27,7	+ 13,1
15 07	Youth	97,5	112,4	+15,3
	TOTAL	953,1	1 034,4	+8,5

5. The proposals for individual budget lines are set out in the table which accompanies

¹ Interinstitutional Agreement of 6 May 1999 on budgetary discipline and improvement of the budgetary procedure, OJ C 172, 18.6.1999, p.1.

this opinion. The following are noteworthy:

- substantial increases in appropriations for multi-annual programmes (Socrates, Youth, Media Plus, Culture) to reflect enlargement;
- a reduction in appropriations for the European Year of Education through Sport 2004, as the year ends and payments for activities undertaken in connection with it fall;
- a small cut in appropriations for the *e*-Learning programme, in line with the multi-annual budget for the programme as a whole; but a big increase in those for the Erasmus Mundus programme as this builds up;
- reductions in appropriations as the preparatory actions for cultural cooperation and sport run down.

6. **Policy area 16 (Press and Communication)**. Chapter by chapter, the PDB makes the following proposals for commitment appropriations for this policy area (EUR millions).

CHAPTER		BUDGET 2004	PDB 2005	CHANGE %
16 01	Administrative expenditure	103,4	114,9	+ 11,1
16 02	Information to the media on the decisions & policies of the Commission	16,9	17,2	+ 1,8
16 03	Analysis of public opinion trends & development of general information for citizens	19,1	17,1	- 10,5
16 04	Integrated management of means of communication	14,1	13,1	- 7,1
16 05	Coordination of information relays	17,1	17,8	+ 4,1
	TOTAL	170,8	181,9	+ 6,5

7. As in previous years, the most striking feature in this policy area is the very high proportion of total appropriations which are devoted to administrative expenditure (58% in budget 2004, 63% in PDB 2005: by way of contrast, administrative expenditure accounts for 11% of total expenditure in policy area education and culture). Presumably, this is because the main resource of DG PRESS is its staff; and the main way in which it achieves its objectives is through staff contacts with the press.

8. **Other information actions**, The PRINCE programme was broken down into five separate actions in 2004:

- 01 02 04 (Economic and financial affairs) PRINCE - Communication on economic and monetary union, including the Euro: EMAC is the responsible committee.
- 18 08 01 (Justice and home affairs) PRINCE - Area of freedom, security & justice: LIBE is the responsible committee.
- 19 11 03 (External Relations) PRINCE - Role of the European Union in the world. - AFET is the responsible committee

- 22 04 01 (Enlargement) PRINCE - Information and communication strategy: AFET is the responsible committee.
- 25 03 02 (Commission's policy coordination and legal service) PRINCE - Debate on the future of the European Union: AFCO is the responsible committee.

The PDB for 2005 proposes the following appropriations (EUR millions):

	Budget 2004		PDB 2005		% change	
	CA	PA	CA	PA	CA	PA
01 02 04	6,0	3,0	5,0	4,0	- 16,7	+ 33,3
18 08 01	3,0	3,5	2,5	2,65	- 16,7	- 24,3
19 11 03	4,0	2,5	4,0	2,5	-	-
22 04 01	16,5	19,0	8,0	13,0	- 51,5	- 31,6
25 03 02	4,5	10,0	1,5	1,9	- 66,7	- 81,0

9. **European Schools:** For a long time, these were supported from just four 'horizontal' budget lines in the section of the Commission budget which covered administrative expenditure. Since 2003, however, separate lines have existed for each of the schools and for the Board of Governors. These lines have been allocated to policy area 26 (Commission's administration): the proposals for the individual lines are shown in the table which accompanies this opinion.

THE DRAFT BUDGET (DB)

10. The Council completed its first reading of the budget for 2005 on 16 July. By and large, the Draft Budget (DB) confirms the proposals made in the PDB.

11. In three areas, however, the Council is proposing cuts in expenditure.

- Small reductions (less than 1%) in administrative expenditure in policy area 15, on the following budget lines:
 - 15 01 01 Staff in active employment
 - 15 01 02 01 External staff
 - 15 01 02 11 Other management expenditure
 - 15 01 03 Buildings and related expenditure
- Small reductions (less than 1%) in administrative expenditure in policy area 16, on the following budget lines:
 - 16 01 01 01 Expenditure related to staff in active employment
 - 16 01 02 01 External staff
 - 16 01 02 11 Other management expenditure
 - 16 01 03 01 Buildings and related expenditure
 - 16 01 04 03 PRINCE - Administrative management
- More substantial cuts (EUR millions) to operational expenditure on three budget lines in

policy area 16:

Line	Nomenclature	CA	PA
16 03 01	Public opinion analysis & proximity actions	- 1,2	- 0,6
16 04 03	Communication tools	- 1,35	- 0,5
16 05 01	Information outlets	- 0,65	- 0,3

DRAFTSMAN'S REMARKS

Policy area 15

12. **The overall picture:** Expenditure in policy area 15 'aims at reinforcing the human dimension of Europe by developing the feeling for a European citizenship and by contributing to the creation of a European Space for Education and Training'. And successive European Councils have acknowledged the importance of education and training (including *e-learning* and lifelong learning) in making Europe the world's leading knowledge-based economic area by 2010. Granted this, it is disappointing that this policy area makes up such a small proportion of the Community budget. The commitment appropriations of EUR 1 034 million proposed for policy area 15 amount to less than 1% of the total Commission budget - and to only slightly more than EUR 2 for every man, woman and child in the new EU of 25 states. Another way of putting this point is to say that in 2005 the Community plans to spend almost as much on subsidies for tobacco production (EUR 952 million in article 05 02 10) as on education, vocational training, youth, culture, audiovisual media, town-twinning and grants to cultural organisations put together.

13. **Codecided programmes:** All of the multi-annual programmes for which the committee has special responsibility - Socrates, Erasmus Mundus, Youth, Culture, Media Training - were established under the codecision procedure, as was the European Year of Education through Sport 2004. The increases in funding for these programmes for 2004-2006 to take account of enlargement were the most that could reasonably have been expected. And, since they have fixed financial envelopes, agreed jointly by Council and Parliament, which may not be exceeded, there is little scope to alter the amounts committed each year.

14. **Preparatory measures :** Under the Financial Regulation, preparatory measures are limited to three years. Four of them are now coming to an end:

a) **Sport:** The social role of sport was recognised in Declaration No. 29 appended to the Treaty of Amsterdam. Moreover, Annex IV of the Presidency conclusions issued at the end of the Nice European Council stated that 'the Community must, in its actions under the various Treaty provisions, take account of the social, educational and cultural functions inherent in sport.' But, at present, there is no legal base for expenditure on sport: nor is it likely that one will be established in the near future. Under budget line 15 05 03 the Commission has proposed payment appropriations of EUR 0,7 million to cover 'the winding-up of commitments entered into as part of preparatory measures for a Community policy in the field of sport.'

b) **Regional and minority languages:** Since 1982, the Community budget has supported the European Bureau of Lesser-Used Languages, which is organised as a network

of national committees working in the Member States: since 1987, it has supported the Mercator information and documentation network. But there is plainly no consensus among the Member States in favour of creating a legal base to promote lesser-used languages. Belgium, Estonia, Greece, Ireland, Latvia, Lithuania and Portugal have not signed the Council of Europe's European Charter for Regional or Minority Languages: while the Czech Republic, France, Italy, Luxembourg, Malta and Poland have signed it, but not ratified it. The legal base for expenditure covered by item 15 04 03 01 (which included the European Year of Languages) expired long ago. Article 15 04 03 (Language) in the PDB contains a mere EUR 50 000 in payment appropriations - to cover residual commitments entered into in the past.

c) **Cooperation on cultural matters:** Budget line 15 04 02 03 covers expenditure on preparatory measures for cultural cooperation - specifically, the funding of a European cultural observatory (analogous to the European audiovisual observatory). Once again, the EUR 0,6 million entered as payment appropriations in PDB 2005 is intended to cover residual commitments entered into in previous years.

d) **i2i audiovisual initiative:** These preparatory measures (line 15 05 01 05) were established to help audiovisual companies to gain access to external funding offered by banks and other financial institutions, by subsidising part of the cost of the bank guarantees required by these banks and financial institutions. Payment appropriations of EUR 2,2 million are proposed to cover earlier commitments.

The draft constitution may (if and when it enters into force) extend the power of the European Commission to propose legislation in the areas of sport and languages. The Parliament should ask the Commission what it plans to do in the interim to ensure that its political priorities in this area are respected. A measure of the success of the i2i preparatory measures is that the initiative is incorporated in the recently adopted Commission proposal for a new Media programme from 2007: it would be unfortunate if this successful initiative were to be suspended until then.

15. **Administrative expenditure:** The cuts in administrative expenditure in chapter 15 01 proposed by the Council are part of a horizontal cut across all policy areas to try to keep expenditure in Heading 5 (administration) of the Commission budget under the ceiling set by the Financial Perspective. Since this is a horizontal issue, it should be addressed by the Committee on Budgets which has overall responsibility for budgetary issues. This Committee should nevertheless ensure that the areas for which it is responsible are not harmed if a more selective approach is adopted. Where the Council has cut administrative appropriations, the draftsman will table amendments to restore the PDB.

16. **Grants to educational and cultural organisations under former A-lines:**

Until recently, there were two different kinds of budget lines in the Commission budget: lines in Part A of the budget covered administrative expenditure, those in Part B covered operational expenditure. For a number of years, grants were awarded to cultural and other organisations on an annual basis, and at the initiative of the Parliament, under Part A of the budget. Grants were made either by the creation of dedicated budget lines (e.g. for the European University Institute, Florence) or by 'earmarking' i.e. assigning sums under a given budget line to named beneficiaries. Since the advent of Activity-Based Budgeting and of a new Financial Regulation removed the distinction between administrative and operational expenditure, and excluded the possibility of earmarking, the Commission proposed several

programmes to cover this range of budget lines without a legal base. These programmes came into force shortly before the parliamentary elections in June: two of them contained annexes listing named beneficiaries to whom, exceptionally and by way of derogation from the Financial Regulation, grants *might* be made in 2004 and 2005 without the Commission needing to issue a call for proposals.

17. The committee now faces two related, but distinct, questions:

a) Should the Parliament allocate sums to the potential beneficiaries named in the annexes, without a call for proposals; or - as provided for under the Financial Regulation - should grants be paid only to beneficiaries selected by an independent panel of experts and following a call for proposals?

b) How should it deal with the fact that the codecided budget agreed for the action programme to support cultural organisations (2004-2006) is not adequate to maintain funding at 2004 levels in the remaining two years of the programme? Of the EUR 12,88 million available within the programme for grants to cultural organisations, EUR 5,308 million will be spent in 2004. If the same sum is committed in budget 2005, this will leave only EUR 2,264 million for grants in 2006 (the first year in which new organisations and networks can apply for grants).

18. The draftsman believes that grants should normally be awarded only after a call for proposals and a competitive selection process. She acknowledges, however, that in the last Parliament this was a minority point of view. She believes that if grants are to be made to earmarked beneficiaries, such grants should be reduced gradually over a two year period, rather than suddenly in the final year of the programme. As a technical service to the Committee, she will therefore table an amendment accepting the EUR 4,3 million proposed by the Commission (81% of the appropriations in budget 2004), and dividing this among the organisations named in Annex 2 of the action programme for support of cultural organisations. This amendment will propose that, in 2005, each organisation should be nominated for a grant equivalent to 81% of the sums earmarked for it in budget 2004.

19. **Town-twinning partnerships and support for organisations promoting active citizenship:** In recent years, the Committee (and, indeed, the Parliament) has consistently shown its support for town-twinning partnerships by increasing the relevant appropriations. However, support for town-twinning now forms part of the Community action programme to promote active European citizenship (2004-2006), for which a multi-annual budget of EUR 72 million was agreed by Council and Parliament in the course of the budgetary procedure for 2004. Once again, the budget agreed for the action programme is not adequate to maintain funding at 2004 levels in the remaining two years of the programme. And this problem is exacerbated because, as the Decision establishing the action programme requires, the Commission has proposed in the PDB for 2005 a 2% increase in grants to organisations with budget lines dedicated to them (e.g. the Jean Monnet and Robert Schuman houses). In 2004, more than a third - EUR 26,43 million - of the total programme budget was committed. As a consequence, the Commission has been obliged to propose lower appropriations for each component of the action programme which is not composed of such budget lines and where beneficiaries are selected following a call for proposals.

20. The draftsman regrets this situation because she, too, is convinced of the value of

town-twinning partnerships and of the work of the panoply of organisations which promote active citizenship. But her position on this problem is the same as her position on the inadequate budget agreed for the action programme to support cultural organisations; namely, that it would be irresponsible to exhaust the budget agreed for the period 2004-2006 by maintaining the same level of appropriations in 2005 as in 2004. The PDB for 2005 proposes allocating EUR 21,75 million to these lines (leaving EUR 23,82 million available for 2006). In fact, if a 2% increase in grants (where the Decision requires this) is projected for 2006 and all other grants are held constant, there remains a margin of EUR 23,05 million for town-twinning in the two years (and perhaps a little more if there is any under-implementation on the other lines covered by the programme). The draftsman will therefore propose an amendment increasing appropriations for town-twinning to EUR 12,0 million in 2005. (This would still allow a restoration close to 2004 levels of the grant to the Platform of European Social NGOs, on budget line 04 04 09, if the responsible committee wished to propose this).

Policy area 16

21. There is no separate and distinct legal base for expenditure on information and communication actions, but the Commission's Communication of 2 July 2002 proposed an interinstitutional framework for cooperation between the EU institutions and with the Member States, for the development of a communication and information policy strategy for the EU. The resulting Interinstitutional Group on Information is co-chaired by the Parliament, Council and Commission: it lays down common guidelines and, each year, gives its opinion on the priorities for the following year, based on a report drawn up by the Commission.

22. **Administrative expenditure:** Essentially the same remarks as the draftsman made with respect to the cuts in administrative expenditure in chapter 15 01 apply to those made by the Council in chapter 16 01. The draftsman will table amendments to restore the PDB.

23. **PRINCE:** As noted above (para. 9 above), the largest of the Commission's information actions (PRINCE) has now been broken down into its component parts (information campaigns about the Euro, about enlargement, etc) and allocated to a range of different policy areas. It is difficult to discern the logic in the Commission's proposals for appropriations in 2005. Will there really be less need in 2005 than in 2004 for information about Europe as an area of freedom, security and justice (Article 18 08 01)? And a cut of two-thirds in appropriations for Article 25 03 02 (Debate on the future of the European Union) appears particularly bizarre given that a number of Member States will hold referenda on the draft constitution in 2005 and given the disappointing level of participation in the elections to the Parliament in 2004. The draftsman will propose an amendment to restore the appropriations for administrative expenditure related to PRINCE cut by the Council. She hopes that the committees responsible for the substantive PRINCE actions will, in conjunction with the Committee on Budgets, consider what is an appropriate level of expenditure on these actions.

24. **Other information actions:** As noted above (in para. 7), while the PDB proposes an increase of 6,5% in appropriations for policy area 16 as a whole, it proposes lower appropriations in chapters 16 03 (Analysis of public opinion trends and development of general information for citizens) and 16 04 (Integrated management of means of

communication). The Council (as noted in para. 12 above) has imposed additional cuts in three Articles: 16 03 01 (Public opinion analysis), 16 04 03 (Communication tools) and 16 05 01 (Information outlets). The draftsman will propose amendments restoring the PDB.

Policy area 26

25. **European Schools:** The existence of the European Schools is necessary for the proper functioning of the European institutions: it has been accepted for decades that the provision of a mother-tongue education for the children of officials plays an essential role in the recruitment of suitably-qualified staff to work in the European public service. The Community contributes slightly over half of the total budget of the schools; the Member States, which pay the salaries of seconded teachers and provide and maintain the schools' buildings free of charge, contribute about one-quarter; other income sources, including parents' contributions (about one-tenth of the total budget), a contribution from the European Patent Office and contributions from other parties to agreements with the Schools, make up the balance.

26. In addition to a normal fluctuation in pupil numbers, the increase in the Schools' budget, and in the Community's contribution to it, has come about mainly for two reasons. First, the building-up of the two new Schools in Alicante and Frankfurt (whose secondary sections opened at the beginning of the 2003/2004 school year); and, second, the expected intake of additional pupils who are children of new officials from the new Member States (which has led to the creation of a second school in Luxembourg). The appointment of an additional administrator, increased interpretation and translation costs and increased travel expenses to cover the participation in board meetings of governors from the new Member States explain the increase (about 9%) in appropriations for the Board of Governors.

CONCLUSIONS

The Committee on Culture and Education calls on the Committee on Budgets, as the committee responsible, to incorporate the following conclusions in its motion for a resolution:

1. Recalls the central place accorded in the Lisbon process to education, vocational training, lifelong learning and the application of new information and communication technologies to these;
2. Notes that preparatory measures in a number of areas to which it attaches importance (support for regional and minority languages; sport; cultural cooperation) are now coming to an end; notes further that, in some of these areas, the draft constitution of the European Union will provide a Treaty basis for future Community action; requests the Commission to explain what action it plans in these areas before the entry into force of the constitution;
3. Notes the success of the preparatory measures for growth and the audiovisual sector (i2i initiative), as evidenced by their planned continuation in the proposed new (post-2006) Media programme; requests the Commission to explain what action it plans to take to build on the success of this preparatory measure in 2005 and 2006;

4. Recalls that successive surveys have revealed that a high proportion of European citizens know little about the European Union, its institutions, and policies; underlines the importance of effective and adequately funded information actions in helping European citizens to understand the institutions which exist to serve them and the policies they pursue.

