ACTIVITY BASED BUDGETING (ABB)

in relation to the 2004 budgetary procedure

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General Rapporteur for the 2004 Budget
I. Objectives of ABB

II. Presentation of the ABB nomenclature

III. Practical consequences for EP
I. OBJECTIVES OF ACTIVITY BASED BUDGETING

1. An efficient use of budgetary resources
   – to assure a more efficient use of resources in full coherence with political priorities and objectives.

2. A stronger political steer in the budget process.
   – The focus is shifted from budgetary inputs to how the budget contributes to the attainment of objectives.
   – Priority setting, budgeting and reporting take place within the same conceptual framework.

3. A more transparent budget for the European citizens.
   – Offering a clearer and politically more relevant view of how European public funds are used.
   – This requires a budget structure based on Policy Areas and Activities.
   – Administrative resources to be structured by destination, while maintaining a simplified classification by nature.
   – Importance of balance between the EP’s control of the Budget and the Commission’s efficient management.
II. PRESENTATION OF THE ABB NOMENCLATURE

• The ABB nomenclature only concerns Section III: Commission of the Budget.

• The 2003 PDB was accompanied by a complete ‘shadow’ ABB budget, but was published (OJ) under the traditional nomenclature.

• The 2004 budget will be officially presented and adopted in ABB format (the PDB will be accompanied by a simplified ‘shadow’ traditional presentation).

• The 2005 budget will be exclusively ABB.
– The Activity-Based Budget is structured by **Titles** corresponding to 31 Policy Areas

– Titles are subdivided into **Chapters**, corresponding to the Commission’s Activities (about 200)

– The budget includes the full-cost of each Policy Area, including:
  a) (Management and Support) Administrative expenditure
  b) Human resources
  c) (Financial interventions) Operational expenditure

– The new ABB presentation will not affect the Financial Perspective until 2006
Title 01 ECONOMIC AND FINANCIAL AFFAIRS
Title 02 ENTERPRISE
Title 03 COMPETITION
Title 04 EMPLOYMENT AND SOCIAL AFFAIRS
Title 05 AGRICULTURE
Title 06 ENERGY AND TRANSPORT
Title 07 ENVIRONMENT
Title 08 INDIRECT RESEARCH
Title 09 INFORMATION SOCIETY
Title 10 DIRECT RESEARCH
Title 11 FISHERIES
Title 12 INTERNAL MARKET
Title 13 REGIONAL POLICY
Title 14 TAXATION AND CUSTOMS UNION
Title 15 EDUCATION AND CULTURE
Title 16 PRESS AND COMMUNICATION
Title 17 HEALTH AND CONSUMER PROTECTION
Title 18 JUSTICE AND HOME AFFAIRS
Title 19 EXTERNAL RELATIONS
Title 20 TRADE
Title 21 DEVELOPMENT AND RELATION WITH ACP COUNTRIES
Title 22 ENLARGEMENT
Title 23 HUMANITARIAN AID
Title 24 FIGHT AGAINST FRAUD
Title 25 COMMISSION’S POLICY CO-ORDINATION AND LEGAL SERVICE
Title 26 ADMINISTRATION
Title 27 BUDGET
Title 28 AUDIT
Title 29 STATISTICS
Title 30 PENSIONS
Title 31 RESERVES

ANNEXES

Annexe I Part A
Annexe II OPOCE
Annexe III OLAF
Annexe IV Fonds structurels
Annexe V Recherche
Annexe VI Emprunts et prêts
Annexe VII PECO
Annexe VIII AELE

OFFICE DROITS INDIVIDUELS
OFFICE INFRASTR. BXL
OFFICE INFRASTR. LUX
OFFICE EPSO

TABLEAU DES EFFECTIFS
Components of Policy Areas

• **Administrative (Chapter 01):**
  - most of the traditional Part A (heading 5), but some Part B (headings 2, 3, 4 and 7), such as technical and administrative assistance (BA..lines), other support expenditure

• **Human resources:**
  - include establishment plan posts (Titles A-1 and A-6) and support staff, provided for each policy area
  - financial appropriations relating to the human resources allocated to each Policy Area are found under Management and support expenditure

• **Financial interventions:**
  - most of the traditional Part B (but some Part A, such as subsidies, which will continue to be part of heading 5) appropriations, aimed at having an impact for beneficiaries outside the institutions.
  - Allocated to activities and found under Chapter 2 and subsequent chapters of the different policy areas
PARLIAMENT’S RECOMMENDATIONS

• Objectives and performance indicators should provide qualitative and quantitative information at the lowest level possible (activities and some programmes) to facilitate amending and monitoring of the budget process. [Also include implementation profile for appropriations requested]

• The possibility to amend administrative expenditure should be maintained, preserving the right to amend administrative expenditure as in the past.

• EP should concentrate on monitoring the Establishment Plan and administrative expenditure in a global approach, taking into account the close link between the ABB nomenclature and the ABM as well as the management structure of the Commission’s services.

• Nevertheless, EP should keep the option to modify allocations foreseen on staff and other administrative expenditure per policy area according to annual political priorities flowing from the budgetary decisions.
III. PRACTICAL CONSEQUENCES FOR PARLIAMENT

A. Introduction of amendments for Operational Expenditure

• Activity-Based Budget structure changes only the nomenclature by grouping budget lines in a politically more meaningful way. Many of the traditional chapters are now spread over several policy areas (see correspondence table)

• The same information will be available for each article or item (figures, remarks, payment schedules)

• Amendments can be introduced at the same level of aggregation as in the traditional nomenclature

• NO significant CHANGE
<table>
<thead>
<tr>
<th><strong>TRADITIONAL</strong></th>
<th><strong>ABB</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title B3-3: Information &amp; Communication</strong></td>
<td><strong>Title 01: Policy area: ECFIN (among others)</strong></td>
</tr>
<tr>
<td><strong>Chapter B3-30: Information and Communication</strong></td>
<td><strong>Chapter 01 02: Activity: Economic and Monetary Union</strong></td>
</tr>
<tr>
<td><strong>Article B3-306: Prince</strong></td>
<td><strong>Article 01 02 04 Information campaign on the Euro</strong></td>
</tr>
<tr>
<td><strong>Item B3-3061: Information campaign on the Euro</strong></td>
<td></td>
</tr>
</tbody>
</table>
B. Introduction of amendments for Administrative Expenditure

- Chapter 01 of each Policy area includes all administrative expenditure, following a common simplified structure.

- Expenditure covering Staff (statutory & external), Buildings and Other Management Expenditure is grouped into four common global lines for each policy area.

- An aggregation table of all Policy Areas’ administrative resources regrouping common remarks, will be made available.

- Amendments can be introduced:
  - on the [XX] global lines (buildings, overtime, auxiliary staff etc.)
  - per policy area (buildings for Agriculture)
  
thus preserving the Parliament’s current right of amendment.
AMENDING CURRENT OPERATIONAL EXPENDITURE

Example:

<table>
<thead>
<tr>
<th>Traditional Nomenclature:</th>
<th>ABB Nomenclature:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Policy</td>
<td></td>
</tr>
<tr>
<td>B3-300</td>
<td>16 03 01</td>
</tr>
<tr>
<td>B3-300A</td>
<td>16 01 04 01</td>
</tr>
<tr>
<td></td>
<td>(Admin. exp.)</td>
</tr>
</tbody>
</table>
AMENDING ADMINISTRATIVE EXPENDITURE
(preferred option)

Example N° 1: amendment per nature (global) *

* The Commission should provide the budgetary authority with a global table to allow amendments per nature ([xx] global lines)
AMENDING CURRENT ADMINISTRATIVE EXPENDITURE (Heading 5)

Example N° 2: amendment per policy area (specific lines)

Press & Communication

- Buildings
  - Traditional: A-420
  - ABB: 16 01 03 02
    (representations in MS)

- Publications
  - Traditional: A-3411
  - ABB: 16 03 03

Education and Culture

- Town-twinning
  - Traditional: A-321
  - ABB: 15 06 03 (grants)