



EUROPEAN COMMISSION

Budget

Director-General

Brussels, **04 JUL. 2017**
 DG BUDG/A1/KR Ares(2017) 3797100

Subject: Commission response to the list of draft proposals for Pilot Projects and Preparatory Actions in budget 2018

Dear Mr Mureşan,

Thank you for providing the Commission with the Parliament's draft list of proposed pilot projects and preparatory actions for 2018 in accordance with paragraph 11 of the Annex to the Inter-Institutional Agreement (IIA) of 2 December 2013.

The documents you transmitted on 10 May 2017 contain 344 proposals, of which 295 pilot projects and 49 preparatory actions. Although the total number is 23 proposals lower than last year (367 proposals), that is still well above the average of around 200 proposals in previous years. Moreover, their combined amount exceeds substantially the ceilings set by the Financial Regulation. This is hardly compatible with the spirit of the Interinstitutional Agreement and calls for a review of the procedures through which proposals are made and processed within the European Parliament.

With this very high number of proposals, the Commission services have done their utmost to provide a quick assessment of the feasibility of the envisaged actions. The Commission has carried out its analysis of the Parliament's proposal applying the Treaty's general provisions of *sound financial management* (articles 310 and 317 TFEU) and according to the applicable provisions of the Financial Regulation (article 54(2) (a) and (b)).

While pilot projects and preparatory actions can be instrumental in developing experimental schemes or policy ideas which may, if successful, lead to policy developments and future EU spending programmes, such projects must fall within EU competence and have the potential to address issues relevant for action at EU level in accordance with the principle of subsidiarity.

As derogations to the general principle that EU expenditure shall be covered by a basic act, pilot projects or preparatory actions cannot be carried out where an existing or proposed legal basis already covers the proposed type of action/project. In that case, the Commission makes reference to the relevant legal basis or illustrates, where possible, how the proposed

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project could be re-designed to meet the legal requirements. Moreover, as a general rule in its implementation of the proposed actions, the Commission has to go through calls for proposals or calls for tender, in line with the principles of transparency and equal treatment.

The possibility to implement the proposed projects is subject to ceilings defined in the Financial Regulation. As provided in article 54(2) of the Financial Regulation, the total amount of appropriations for pilot projects is limited to a maximum EUR 40 million in any budget year, whereas the Parliament's indicative list includes pilot projects that at face value would amount to EUR 351 million in 2018, that is almost 9 times the annual ceiling defined in the Financial Regulation.

For new preparatory actions, the Parliament's list includes proposals worth EUR 77 million compared to the maximum amount of EUR 50 million defined in the Financial Regulation. The provisions of article 54(2)(b) also limit the total amount of appropriations actually committed for preparatory actions (new and ongoing) to EUR 100 million whereas the Parliament's list at this stage includes draft proposals amounting to EUR 109 million.

Finally, like any other Union action or project, pilot projects and preparatory actions must fit within the expenditure ceilings of the relevant heading set in the multiannual financial framework (MFF). The table below, based on the proposed actions, shows the distribution between headings on the basis of the 344 draft proposals submitted to the Commission for its assessment. I would like to draw your attention especially to the fact that due to the unprecedented needs related to the migration and refugee crisis in the past few years, the margins of heading 3 are depleted. The available margins for heading 1a and 1b are also limited and therefore it will be difficult to accommodate new Pilot Projects and Preparatory Actions.

MFF Heading		1a	1b	2	3	4	5	Total	FR art. 54(2) ceiling)
Pilot projects									
New	N°	104	15	56	73	20	5	273	
	EUR million	124,5	21,7	59,5	92,6	28,6	4,7	331,6	
Existing	N°	8	1	7	3	2	1	22	
	EUR million	6,0	1,0	7,1	3,6	1,0	0,5	19,1	
Total	N°	112	16	63	76	22	6	295	
	EUR million	130,5	22,7	66,6	96,1	29,6	5,2	350,7	40,0
Preparatory actions									
New	N°	17	1	6	8	1	2	36	
	EUR million	39,3	3,0	16,8	14,2	1,2	2,5	77,0	50,0
Existing	N°	4	6	1	2	0	1	14	
	EUR million	13,0	13,5	1,0	3,4	0,0	1,0	31,9	
Total	N°	21	7	7	10	1	3	49	
	EUR million	52,3	16,5	17,8	17,5	1,2	3,5	108,8	100,0
TOTAL PP/PAs	N°	133	23	70	86	23	9	344	
	EUR million	182,8	39,2	84,4	113,6	30,8	8,7	459,5	140,0
Available margin DB 2018		56,1	6,5	713,5	0,0	232,0	93,6	1.102	

The services of the Commission have carried out to the best of their possibilities the feasibility analysis of these indicative proposals. Please note that at this stage 4 proposals are still under assessment, and the results of the analysis will be transmitted separately as soon as possible.

The result of the Commission's assessment is set out in the enclosed annexes and includes both new and existing pilot projects and preparatory actions.

At this stage, the Commission has assessed 340 of the 344 proposals. Of these 340 proposals, 60 could be implemented as suggested by the European Parliament (of which 42 pilot projects and 18 preparatory actions), and a further 53 partially implemented with some re-designing or under certain conditions (44 pilot projects and 9 preparatory actions). Although the Commission does not question the relevance of certain ideas, it appears that some 181 proposals are already fully covered by an existing or proposed legal basis, meaning that the proposed projects or actions are already being addressed in EU programmes / actions. The Commission's analysis further suggests that 46 of the proposals do not meet the conditions to be carried forward due to the content of the proposal or have already been implemented as such in the past.

I would also like to draw your attention to the fact that the classification of pilot projects and preparatory actions by MFF heading and the proposed budgetary nomenclature may have to be reviewed once the European Parliament finalises the list. It is important that the Pilot Projects and Preparatory Actions are then financed from the heading relevant to the policy area. In the meanwhile, the Commission has included to the extent possible some preliminary remarks also on these issues in the analysis provided in the annexes.

I hope you will find this information useful and that it will help ensuring a successful implementation of pilot projects and preparatory actions in 2018. As foreseen by the Inter-Institutional Agreement, the objective of this process is ultimately to create the best conditions for the sound, effective and efficient implementation of the pilot projects and preparatory actions which the budgetary authority will decide to include in the 2018 budget.

This preliminary assessment does not prejudice the position that the Commission will express on the Parliament's amendments through the so-called s 'Executability Letter' that will be made available to the Conciliation Committee after the European Parliament's reading of the 2018 draft budget.

The Commission services are at your disposal for any further clarification.

Yours sincerely,

Nadia Calviño



p.o. Silvano Presa,
Deputy Director-General

Attachments: Commission response to the EP's draft list of Pilot Projects and Preparatory Actions in budget 2018:
Annex 1 a Response concerning New Pilot Projects
Annex 1 b Response concerning New Preparatory Actions
Annex 2 a Response concerning Extension of existing Pilot Projects
Annex 2 b Response concerning Extension of existing Preparatory Actions

c.c.: Mr J. Arthuis, Chair of the Committee on Budgets
Ms M. Strasser, Ms E. Daffarra, Secretariat of the Committee on Budgets
Mr E. Marksoo, Chair of the Budget Committee of the Council
Mr C. Pillath, Ms E. Veivo, General Secretariat of the Council
M. Hager, T. Kleiner, B. Lehmann, Cabinet Oettinger