

Beat: Business

European Union needs \$20.7 billion to avoid insolvency this year

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USPA News - The European Union's executive arm on Wednesday said it needs 11.2 billion euros (\$14.4 billion) in additional funding from member states to pay outstanding bills from last year, but its budget committee warned it would need another 5 billion euros (\$6.3 billion) on top of that to avoid insolvency this year. The European Commission said the extra 11.2 billion euros (\$14.4 billion) is required for the EU budget to reimburse beneficiaries of EU-funded programs which were completed across Europe last year, as well as to honor Cohesion Policy claims that are expected later this year.

"This cannot come as a surprise. In recent years, voted EU budgets have been increasingly below the real needs based on estimates from member states," said Janusz Lewandowski, the Commission's Commissioner for Financial Planning and Budget. "This is creating a snowballing effect of unpaid claims transferred onto the following year." If agreed by the European Parliament and Council, the bulk of the draft amending budget will allow all legal obligations left pending at the end of 2012 to be covered in this year's budget. It covers claims from beneficiaries such as member states, regions, towns, universities, and non-governmental organizations (NGOs), for projects completed across Europe. "The ostrich policy can only work for so long: postponing payment of a bill will not make it go away," Lewandowski said. "Not one cent of the extra amount we request today is for the EU institutions, it will merely allow the EU to pay its share of infrastructure or science projects that Member States agreed to start in the past." Patrizio Fiorilli, the spokesman for the EU Budget Commissioner, condemned criticism of the funding request on his Twitter account, saying critics are "barking up at the wrong tree" because EU member states previously agreed to the projects. "You order a meal in a restaurant knowing its price, you eat it, then you complain when the bill arrives?" he wrote. But the EU's Budgets Committee chair, Alain Lamassoure, said the requested funds would only settle a part of the EU's 16.2 billion euros (\$20.7 billion) debt. He said the amended budget proposed by the European Commission would be insufficient to pay the bills, leaving a 5 billion euros (\$6.3 billion) shortfall. "It is thus confirmed: there is a threat that the EU will run out of funds before the end of 2013. This is forbidden by the treaties and the Parliament will not accept a deficit," Lamassoure said, recalling that the EU adopted a joint declaration at the end of the 2013 budget negotiations to finish this year with a clean sheet. Earlier this month, the European Parliament rejected the EU member states' February decision on the EU's next multi-annual financial framework (MFF). Members of the European Parliament, in rejecting the decision, insisted that the EU's debt must be settled before negotiations on the long-term budget can be concluded. "In these times when the EU's credibility is questioned, to pretend to be deciding on a seven-year budget when we are not even able to pay the current year's bills will not enhance our trustworthiness," Lamassoure said, noting that 2013 is the final year of the EU's current multi-annual financial framework (MFF). The Budgets Committee is scheduled to hear Lewandowski's presentation of the amending budget on April 15, after which parliament will vote on it. If accepted in its current form, EU member states would pay a share according to their economic strength, with Germany receiving the largest bill at 2.2 billion euros (\$2.8 billion).

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