



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 8 February 2012**

**6260/12**

**FIN 79**

**REPORT**

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from : Budget Committee

to : Permanent Representatives Committee/Council

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Subject: Draft Council conclusions on the budget guidelines for 2013

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1. By way of preparation of the budget guidelines for 2013 to be established by the Council, the Budget Committee considered a set of draft Council conclusions, on the basis of a proposal from the Presidency.
2. At its meeting on 7 February 2012, the Committee reached an agreement on the text as recorded in ANNEX I.
3. The Permanent Representatives Committee is invited to advise the Council to:
  - adopt these draft Council conclusions at the ECOFIN Council on 21 February 2012; and
  - arrange for them to be forwarded to the European Parliament, the Commission and the other institutions and to approve the draft letter in ANNEX II to that effect.

**Draft Council conclusions  
on the budget guidelines for 2013**

***Introduction***

The budget for 2013 will play an important role in the pursuit and development of the European Union's objectives and priorities.

The 2013 budgetary procedure will take place in the context of the current economic crisis, which will continue to have a negative impact on Member States and their citizens. More than ever, consolidation efforts are requested from Member States, notably by the Union, to tackle deficit and debt. Therefore, when establishing the budget for 2013, it will be essential to take into account the economic and budgetary constraints at national level and the need to maintain budgetary discipline at all levels.

At the same time, the Council is aware that an equilibrium between austerity and necessary investments has to be found: restrictive measures should not hamper the respect of commitments already made and the implementation of Union actions contributing to the fight against the negative effects of the crisis notably by boosting growth and employment at Union level. This balance can notably be reached by prioritisation of objectives, with the allocation of available resources to programmes and actions contributing best to achieve these objectives.

In this context, the Council hopes that, as during the 2012 budgetary procedure, all institutions will collaborate efficiently and constructively, allowing for a smooth budgetary procedure and the establishment of a budget for 2013 within the deadlines set out by the Treaty on the Functioning of the European Union (TFEU). This achievement will be essential to give a positive signal to EU citizens.

The Council recalls the need to preserve the annual character of the budgetary procedure. In respect of Article 314 TFEU, the purpose of the Conciliation Committee will be to establish the Union budget for 2013. Therefore, the budgetary procedure should be firmly focused accordingly, avoiding any issues not directly linked to the annual budget.

### ***Key elements of the budget for 2013***

The first key element of the requested budgetary discipline is that the budget for 2013 should strictly respect the ceilings of the current MFF. Moreover, with the exception of sub-heading 1b (*Cohesion for growth and employment*), the Council stresses the need to leave sufficient margins under all ceilings of the various headings and sub-headings of the MFF, in order to be able to deal with unforeseen circumstances.

The Council insists on the need for a realistic budget respecting the principle of sound financial management. Especially in the current economic context, commitment and payment appropriations have to be kept under strict control and correspond to real needs, also taking into account the increasing payment profiles in certain areas within the limits set out in the MFF. All actors involved should continue their efforts in order to establish an accurate level of payment appropriations for structural measures and pursue an efficient and effective implementation of the 2007-2013 programmes.

As the draft budget presented by the Commission will be the starting point of the budgetary procedure, the Council encourages the Commission and Member States to continue their efforts to deliver better forecasts in all domains. An accurate draft budget is essential to allow Member States to precisely anticipate the level of their contribution to the Union's budget. The draft budget has to present appropriations reflecting genuine needs, taking into account past implementation, future needs and absorption capacities. In this respect, the Council asks the Commission to deliver, together with its draft budget, precise and transparent information on the underlying assumptions on which the figures for each heading and sub-heading are based.

As far as revenue is concerned, the Council strongly believes that full transparency concerning assigned revenue is part of a sound financial management of Union funds. It calls on all institutions, agencies and other bodies to continue to provide all the requested information on a regular basis and in due time for the draft budget for 2013.

In the same way, the Council urges the Commission to provide precise and frequent information on the budget implementation at every stage of the budgetary procedure. This rigorous follow-up is essential to avoid past experience of significant under-implementation of certain funds and unjustified carry-overs, or to justify any additional need for appropriations or redeployment of existing resources. This would also limit the recourse to corrective budgetary tools such as amending budgets to the strict minimum. However, if corrective measures prove to be necessary, the Council reaffirms its commitment to take position on a draft amending budget as quickly as possible.

In close relation with all these issues, the Council notes with great concern the volume of outstanding commitments<sup>1</sup>. This issue has to be examined thoroughly and the Council urges the Commission to take all appropriate remedial measures in each annual budgetary procedure. The Commission should carefully monitor the amounts of outstanding commitments and settle or decommit them as timely as possible. Already when preparing the draft budget, the relation between the levels of commitment and payment appropriations must take into account commitments already made but also be carefully weighed against the absorption capacity and the need for budgetary discipline. The level of commitment appropriations should be compatible with the evolution of the volume of outstanding commitments with the aim to take them under strict control. The Council calls on all actors involved to continue to do their utmost to avoid overestimation in order to limit undue pressure on national budgets.

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<sup>1</sup> At the end of 2011, outstanding commitments (RAL) amounted to EUR 207 billion.

## *Specific issues*

### *Comprehensive budgetary documents*

The Council encourages the Commission to continue the improvement of the documents accompanying its draft budget. These documents should be as transparent, simple and concise as possible, and clearly justify the appropriations requested. Particular attention should be paid to the information on the evolution of the volume of outstanding commitments and on payment profiles.

The Council acknowledges the usefulness of the Commission's "Budget Forecast Alert" system, which should allow adjustments to the level of appropriations in a more realistic and rigorous way at the various stages of the budgetary procedure. However, as already mentioned, the Council asks the Commission to further improve the system to provide timely, transparent and precise information on the implementation of the current budget.

As far as the "Activity Based Budgeting" is concerned, the Council continues to point out that high quality activity statements and timely financial information on spending proposals are crucial for the budgetary authority to establish, confirm or modify budgetary priorities. Activity statements should notably focus more on performance information, on results achieved, on a justification of the level of appropriations proposed for different programmes and policies, and on the added value of activities at Union level. A better link with the various headings and sub-headings of the MFF would support the budgetary decision-making process.

### *Administrative expenditure*

In the context of a rigorous fiscal consolidation in Member States, already highlighted in the introduction, national administrations have to optimise the use of limited resources. Therefore, the Council urges the institutions not to increase administrative expenditure and to provide financing only for real needs, in order to give a positive signal to the citizens. All the institutions should continue their efforts by increasing administrative efficiency with restricted resources and by preferring redeployment and reprioritisation to requests for additional appropriations.

The Council welcomes the Commission's initiative to reduce by 1 % the number of posts for 2013 in its establishment plans<sup>1</sup>. The Council calls on all institutions and agencies to follow a similar approach, without prejudice to its position in the context of the revision of the staff regulation and the negotiations on the next MFF.

The Council expects all institutions to provide in advance all the necessary information for a clear, comprehensive and consolidated picture of all administrative expenditure, including administrative expenditure financed under other headings and sub-headings of the MFF, thus allowing the budgetary authority to evaluate the situation and take well-founded decisions on the allocation and use of resources. Due attention should be paid to the comprehensiveness and comparability over time and between institutions of the information provided.

The Council is concerned about the evolution in appropriations for pensions and their impact on administrative expenditure in the future.

### *Agencies*

The Council regrets the recurrent over-budgeting of some agencies, leading to unjustified carry-overs. The Council reiterates the importance of keeping their funding under firm control, so as to provide for real needs. It expects the Commission to continue to provide a comprehensive picture concerning agencies, including their building policy, in due time for the draft budget for 2013.

The Council strongly urges the Commission, when establishing its draft budget, to continue to take into account the appropriations unused by the agencies, in order to bring down their annual surpluses. It also urges the Commission to carefully check, and if necessary revise, the requirements of funds and posts as proposed by the agencies taking into account proven problems with implementation and recruitment with the aim of presenting a realistic budget proposal.

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<sup>1</sup> Letter of Commissioner Lewandowski dated 23 January 2012.

## *Financing of the ITER project*

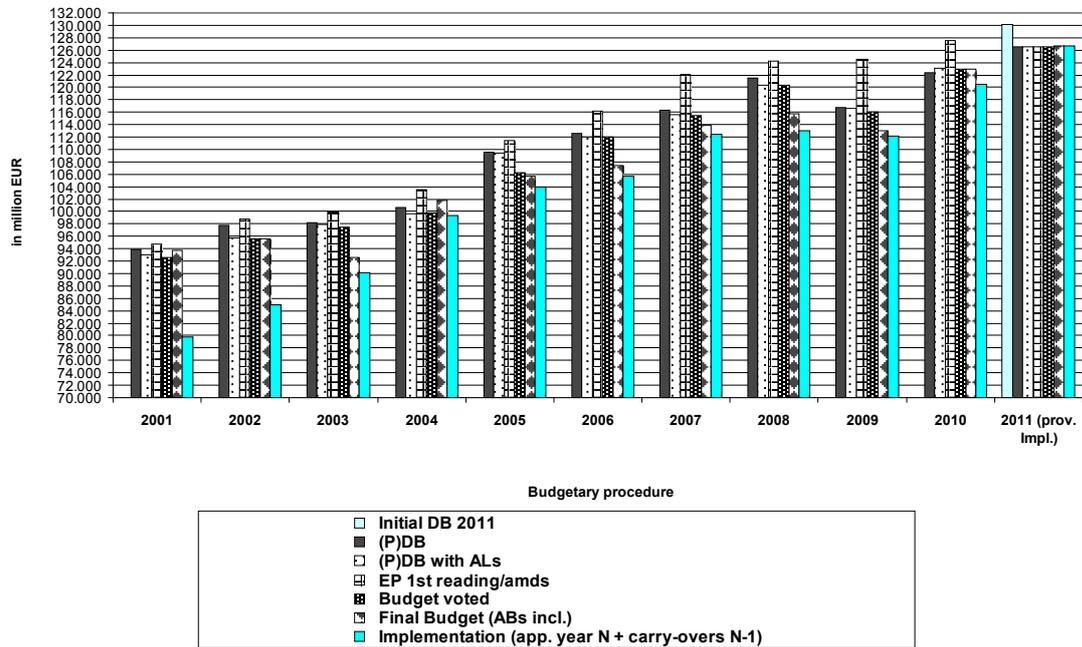
The Council recalls the agreement reached in December 2011 on the additional financing of the ITER project in 2012 and 2013. According to this agreement the ceiling for commitment appropriations under sub-heading 1a (*Competitiveness for growth and employment*) has been increased in 2013 by EUR 190 million and a further EUR 360 million will be made available within the ceilings. The Council recalls its preference that the outstanding appropriations in the budget for 2013 should be made available through redeployments. Therefore the Council asks the Commission to examine all possibilities of redeployment and accordingly make concrete proposals within the draft budget for 2013.

### ***Conclusion***

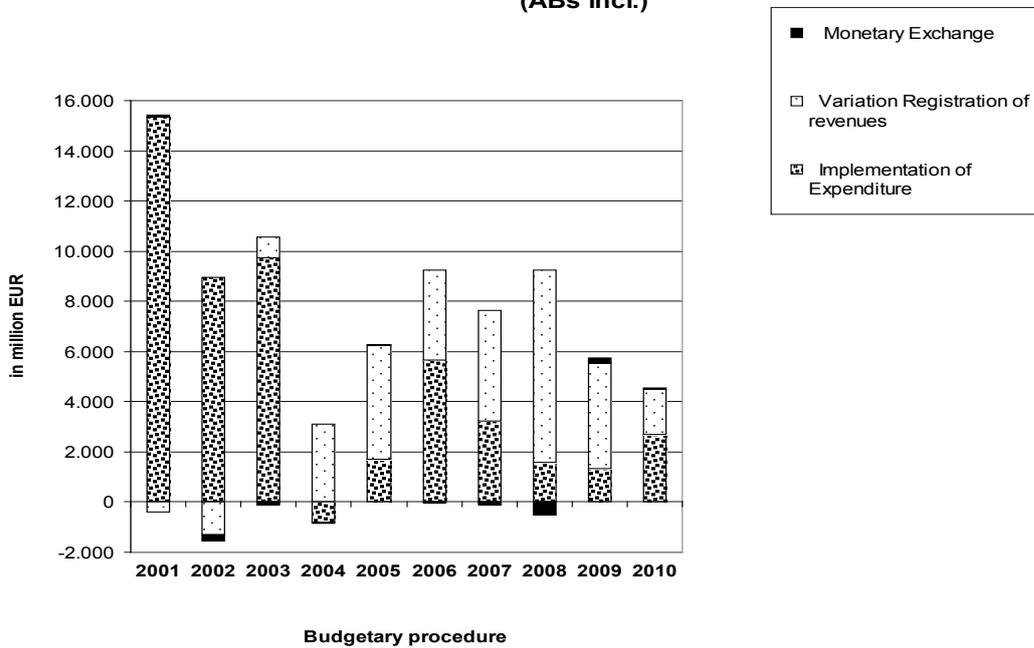
The Council recalls that the annual budgetary procedure is one of the most significant tools to guarantee the accountability of the Union towards its citizens. Especially in the current context, it underlines that an accurate and accountable use of Union resources is one of the essential means to reinforce the trust of EU citizens. Therefore, it underlines the great importance it attaches to these guidelines and expects them to be taken duly into account already in the draft budget for 2013.

These guidelines will be forwarded to the European Parliament and the Commission, as well as to the other institutions.

### Evolution of payment appropriations (2001-2011)



### Detail Outturn 2001-2010 (ABs incl.)



## EVOLUTION OF PAYMENT APPROPRIATIONS (2001-2011)

(EUR million)

Budgetary procedure	(P)DB	(P)DB (LAs included)	Budget voted	Final budget (ABs included)	Implementation <sup>1</sup>	Variation final budget/implementation (figures)	Variation final budget/implementation (%)	Implementation/(P)DB (LAs included) (%)
	1	2	3	4	5	6 (= 4 - 5)	7 (= 6/4)	8 (= 5/2)
2001	93 896	93 007	92 569	93 780	79 772	14 008	14.94 %	85.77 %
2002	97 807	95 794	95 655	95 656	85 003	10 653	11.14 %	88.74 %
2003	98 207	97 880	97 503	92 525	90 177	2 348	2.54 %	92.13 %
2004	100 649	99 660	99 724	101 807	99 403	2 404	2.36 %	99.74 %
2005	109 568	109 372	106 300	105 684	103 908	1 776	1.68 %	95.00 %
2006	112 567	111 970	111 970	107 378	105 654	1 724	1.61 %	94.36 %
2007	116 370	115 531	115 497	113 846	112 377	1 469	1.29 %	97.27 %
2008	121 533	120 347	120 347	115 771	113 070	2 701	2.33 %	93.95 %
2009	116 744	116 546	116 096	113 035	112 107	928	0.82 %	96.19 %
2010	122 316	123 061	122 937	122 956	120 490	2 466	2.01 %	97.91 %
2011 initial DB	130 136	129 826	126 527	126 727	126 725	3	0.00 %	97.61 %
2011	126 527 <sup>2</sup>	126 527	126 527	126 727	126 725 <sup>3</sup>	3	0.00 %	100.16 %
<b>Total<sup>4</sup></b>	<b>1 216 184</b>	<b>1 209 695</b>	<b>1 205 125</b>	<b>1 189 165</b>	<b>1 148 686</b>	<b>40 480</b>	<b>3.40 %</b>	<b>94.96 %</b>

<sup>1</sup> Implementation = appropriations year *n* + carry-over *n-1*.

<sup>2</sup> New draft budget proposed in November 2010.

<sup>3</sup> This total consists of:

(a) the provisional implementation figures for the *Commission* (available at 31/01/2012), and

(b) the figures for the budget voted for the *other institutions* as the provisional implementation figures are not yet available.

<sup>4</sup> All absolute figures are in nominal prices. Totals take into account the new 2011 draft budget and not the 2011 initial draft budget.

### **EVOLUTION OF OUTTURN<sup>1</sup> (2001-2010) (ABs included)**

*(EUR million)*

<b>Budgetary procedure</b>	<b>Implementation of Expenditure</b>	<b>Variation registration of Revenue</b>	<b>Monetary exchange</b>	<b>Outturn total</b>
2001	15 337	-408	74	15 003
2002	8 954	-1 287	-253	7 413
2003	9 729	850	-109	10 470
2004	-810	3 097	-50	2 237
2005	1 727	4 511	41	6 279
2006	5 656	3 582	-17	9 221
2007	3 231	4 398	-124	7 505
2008	1 571	7 659	-498	8 732
2009	1 318	4 238	186	5 741
2010	2 716	1 801	22	4 539

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- <sup>1</sup> The outturn is the sum of:
- the difference between the payment appropriations authorised and the implementation;
  - the difference between the estimated revenue in a budget and the revenue effectively received;
  - the result of the exchange rate differences for the year.

DRAFT LETTER

from : President of the Council

to : President of the European Parliament  
Secretary-General of the Council  
President of the Commission  
President of the Court of Justice  
President of the Court of Auditors  
President of the Committee of the Regions  
President of the European Economic and Social Committee  
European Ombudsman  
European Data Protection Supervisor  
High Representative of the Union for Foreign Affairs and Security Policy

Dear Madam / Dear Sir,

I am sending you under separate cover<sup>1</sup> the Council's conclusions on the budget guidelines for 2013, adopted by the Council at its meeting on 21 February 2012.

[Complimentary close].

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<sup>1</sup> Doc. 6260/12 FIN 79.