



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 1 February 2013

5757/13

**FIN 48
PE-L 8
INST 40**

REPORT

from: Budget Committee
to: Permanent Representatives Committee/Council

Subject: Budget guidelines for 2014
- Draft Council conclusions

1. By way of preparation of the budget guidelines for 2014 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 29 January 2013, 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 12 February 2013; 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 2014**

Introduction

The Council underlines that the budgetary procedure for 2014 will be the first in a new programming period. In this regard, the budget will play an important role in the development and delivery of the Union's objectives and priorities.

The Council emphasises the need to maintain budgetary discipline at all levels. The budgetary procedure for 2014 will take place in the context of the ongoing need for restraint in Member States' budgets, particularly as many Member States seek to reduce their deficit and debt levels. The Council considers that the EU budget should take into account the current economic situation, and also contribute resources to mitigating its negative effects, notably by boosting growth and employment.

As such, the Council considers that a balance is needed between fiscal consolidation and investment for growth. This can be achieved, in particular, through the prioritisation of objectives, with the allocation of available resources to programmes and actions contributing most to achieving these aims. The budget for 2014 should provide the necessary resources to respect commitments already made and to implement the Union's policy priorities for 2014. The Council invites the Commission to present a budget in line with these objectives, including the delivery of EU added value.

The Council encourages all institutions to collaborate efficiently and constructively, allowing for a smooth budgetary procedure and the establishment of a budget for 2014 within the deadlines set by the Treaty on the Functioning of the European Union (TFEU). The Council stresses the need to preserve the annual character of the budgetary procedure. It recalls that the purpose of the Conciliation Committee, convened in respect of Article 314 TFEU, will be to establish the budget for 2014. Therefore, the budgetary procedure should avoid issues not directly linked to the annual budget negotiation.

Finally, following agreement on the multiannual financial framework (MFF), the Council stresses the importance of quickly taking the necessary steps to ensure that all EU programmes can commence without delay and in an efficient way.

Key elements in the budget for 2014

The Council insists on the need for a realistic budget respecting the principle of sound financial management. In the current economic context, commitment and payment appropriations should be kept under strict control and correspond to real needs. Establishing an accurate level of payment appropriations is important. The level of appropriations has to reflect the payment profiles of the programmes, including the commitments made during the MFF 2007-2013 and the expected needs post-2013. The Council emphasises that the budget for 2014 should strictly respect the relevant ceilings. Moreover, the Council stresses the need to leave sufficient margins in order to be able to deal with unforeseen circumstances. This will be especially important in the first year of a new programming period.

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. An accurate draft budget is essential to allow Member States to precisely anticipate the level of their contribution to the Union's budget. The appropriations included in the draft budget have to reflect genuine needs, taking into account outstanding commitments, future needs, payment profiles, past implementation 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.

With regard to revenue, the Council strongly believes that full transparency regarding assigned revenue is necessary for a sound financial management of Union funds. It calls on all institutions, agencies and other bodies to continue providing all the relevant information promptly and frequently.

The Council also urges the Commission to provide precise and frequent information on planned and past budget implementation and to take this into account at every stage of the budgetary procedure. This is essential to avoid significant under-implementation of certain funds and unjustified carry-overs, and it also allows the budgetary authority to assess any possible requests for additional appropriations or the redeployment of existing resources. The Council expects the Commission to make every effort to implement the budget within the allocations agreed in the annual budget. Corrective budgetary tools, such as amending budgets, should be kept to the strict minimum and in line with the Financial Regulation¹. However, if corrective measures prove to be necessary, the Council reaffirms its commitment to take a position on a potential draft amending budget as soon as possible.

The Council notes with concern the volume of outstanding commitments². The Council urges the Commission to carefully monitor these amounts and to settle or decommit them in a timely manner and in line with the relevant rules. In preparing the draft budget, the Commission should take into account the current economic circumstances and the relationship between commitment and payment levels, including on the level of outstanding commitments, the absorption capacity and past implementation rates.

Specific issues

Comprehensive budgetary documents

The Council encourages the Commission to continue improving the documents accompanying its draft budget in line with the Financial Regulation. These documents should be as transparent, simple and concise as possible, and clearly justify the appropriations requested. Particular attention should be paid to the volume of outstanding commitments and payment profiles.

¹ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p.1).

² At the end of 2012, outstanding commitments ("RAL") amounted to EUR 217 billion.

The Council acknowledges the usefulness of the Commission's "Budget Forecast Alert" system. Thus, if adjustments are required to the level of appropriations, they can be made in a more realistic and rigorous way at the various stages of the budgetary procedure.

While recalling the importance of "Activity Based Budgeting", the Council continues to highlight that high quality activity statements and timely financial information on spending proposals are crucial for the Council and the European Parliament to establish, confirm or modify budgetary priorities. Activity statements should, in particular, focus on performance information, including on the results achieved, the justification for the level of appropriations requested, and on the added value of activities at Union level. This analysis should be clearly linked to the relevant budget lines in order to support the budgetary decision-making process.

Administrative expenditure

The Council supports Commissioner Lewandowski's letter of 7 January 2013, inviting all institutions to limit their requests when preparing their estimates for 2014 and to continue to reduce in 2014 the number of posts in their establishment plans. In the context of a rigorous fiscal consolidation in Member States, national administrations have to optimise the use of limited resources. Therefore, the Council urges the institutions to reduce or at least not to increase their administrative expenditure and to request financing only for real needs, in order to give a positive signal to EU citizens.

The Council expects every institution to provide in advance clear, comprehensive and consolidated information of all administrative expenditure, thus allowing the Council and the European Parliament to evaluate the situation and take well-founded decisions on the allocation and use of resources. Due attention should be paid to the comprehensibility and comparability over time and between institutions of the information provided.

Agencies

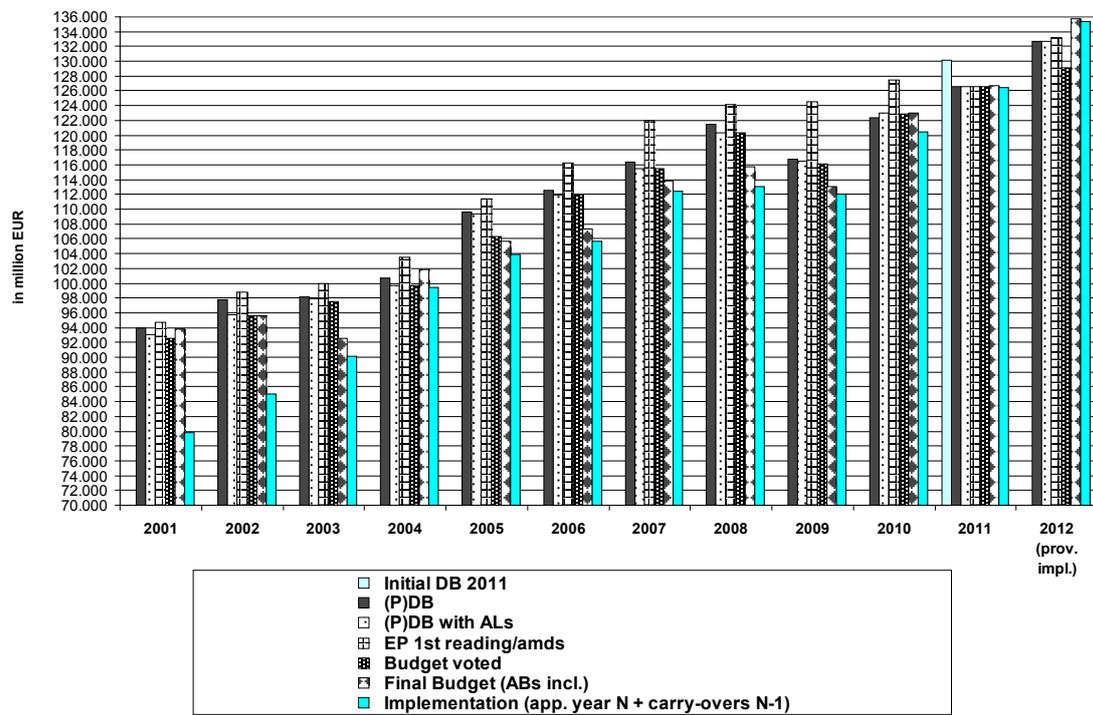
The Council regrets that the recurrent over-budgeting for some agencies has led to unjustified carry-overs. It reiterates the importance of keeping their funding under firm control and limiting it to real needs. The Council strongly urges the Commission, when establishing its draft budget for 2014, to continue taking into account unused appropriations and excessive accumulated cash-balances, in order to bring down their annual surpluses. It also urges the Commission to carefully check, and if necessary revise, the requests for funds and posts proposed by the agencies taking into account past problems with implementation and recruitment. The Council expects the Commission to continue providing the Council and the European Parliament with a comprehensive picture concerning agencies, including their building policy, together with the draft budget for 2014.

Conclusion

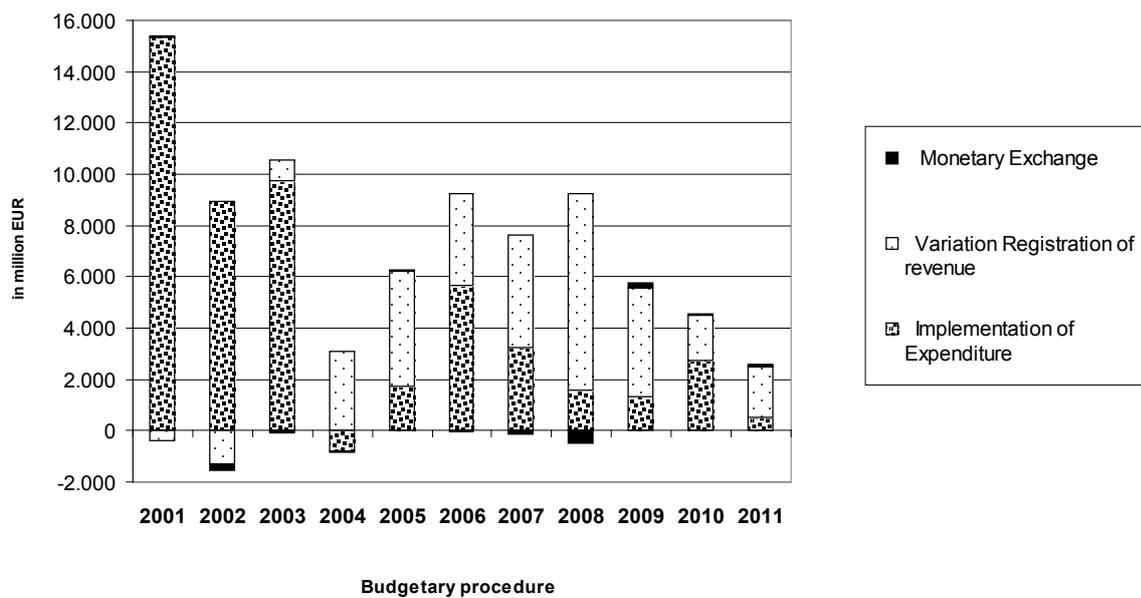
The Council considers that the EU budget should take into account the current economic situation, but also contribute to mitigating its negative effects, notably by providing resources to boost growth and employment. The Council recalls that the annual budgetary procedure is important for providing accountability towards EU citizens. 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, the Council reiterates the great importance it attaches to these guidelines and expects them to be taken duly into account already when preparing the draft budget for 2014.

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

Evolution of payment appropriations (2001-2012)



Detailed Outturn 2001-2011 (ABs incl.)



EVOLUTION OF PAYMENT APPROPRIATIONS (2001-2012)

(EUR million)¹

Budgetary procedure	(P)DB	(P)DB (LAs included)	Budget voted	Final budget (ABs included)	Implementation ²	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 %
<i>initial 2011 DB</i>	<i>130 136</i>	<i>129 826</i>	<i>126 527</i>	<i>126 727</i>	<i>126 497</i>	<i>230</i>	<i>0.18 %</i>	<i>99.98 %</i>
2011	126 527 ³	126 527	126 527	126 727	126 497	230	0.18 %	99.98 %
2012	132 739	132 668	129 088	135 758	135 447 ⁴	312	0.23 %	102.09 %
Total⁵	1 348 923	1 342 364	1 334 213	1 324 923	1 283 905	41 019	3.10 %	95.65 %

¹ All absolute figures are in nominal prices.

² Implementation = appropriations year *n* + carry-over *n* - 1.

³ New draft budget proposed in November 2010.

⁴ This total consists of:

(a) the provisional implementation figures for the *Commission* (available at 22/01/2013), and

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

⁵ Totals take into account the new 2011 draft budget and not the initial 2011 draft budget.

EVOLUTION OF OUTTURN¹ (2001-2011) (ABs included)

(EUR million)

Budgetary procedure	Implementation of Expenditure	Variation registration of Revenue	Monetary exchange	Outturn total
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
2011	528	1 948	97	2 574

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- ¹ 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 cover¹ the Council's conclusions on the budget guidelines for 2014, adopted by the Council at its meeting on 12 February 2013.

[Complimentary close].

¹ Doc. 5757/13 FIN 48 PE-L 8 INST 40.