



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 26 February 2009

6767/09

FIN 60

REPORT

from : Budget Committee

to : Permanent Representatives Committee/Council

Subject: Draft Council conclusions on the budget guidelines for 2010

1. By way of preparation of the budget guidelines for 2010 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 meetings on 12 and 19 February 2009, the Committee reached agreement on the text as annexed hereto.
3. The Permanent Representatives Committee is invited to submit these draft Council conclusions to the ECOFIN Council on 10 March 2009 for adoption.

**Draft Council conclusions
on the budget guidelines for 2010**

1. The Council considers that the budgetary procedure 2010, the fourth and middle one of the Multiannual Financial Framework for 2007-2013, will play a crucial role in the pursuit and development of the European Union's objectives and priorities. A vast majority of programmes and actions should reach their cruising speed in 2010. At the same time, the European Union is faced with unexpected challenges, most notably with the current financial and economic crisis, which put a serious strain on national economies and budgets. In this context, the Council wishes to underline the importance of a European economic recovery plan, as endorsed by the European Council of 11 and 12 December 2008.

2. The Council underlines the importance of a good collaboration between the two arms of the budgetary authority and with the Commission. The budgetary procedure for 2010 will take place in a year which will see the election of a new European Parliament and which is the last year of the mandate of the current Commission. The Council wishes to stress in this respect the excellent spirit of cooperation that has prevailed during budgetary procedures in previous years. It recalls the importance of continuing to strengthen this cooperation as a key factor of a smooth and successful budgetary procedure.

3. The Council reiterates that the Interinstitutional Agreement (IIA) on budgetary discipline and sound financial management of 17 May 2006¹ is the basis for the establishment of the 2010 budget and that the IIA has to be applied to the full.

In this context, it stresses the necessity of strict compliance with the Multiannual Financial Framework. The Council underlines that expenditure must strictly remain within the limits fixed therein and sufficient margins must be maintained under all the ceilings of various headings and sub-headings of the Multiannual Financial Framework, with the exception of sub-heading 1b, for the purpose of sound financial management and notably to cater for unforeseen circumstances.

¹ OJ C 139 of 14.6.2006, p. 1.

4. The Council recalls the importance of maintaining an overall budgetary discipline, as well as respecting the principle of sound financial management, and emphasises that this entails applying to the EU budget the same degree of budgetary restraint as is exercised by the Member States for their own national budgets. The budget of the European Union for 2010 should provide sufficient and justified resources to implement and develop efficiently and effectively the various policies of the Union bearing in mind their multiannual nature. The current economic situation, which places additional pressure on national budgets, makes all this even more important.

The Council urges in this respect the Commission to deliver, together with its preliminary draft budget (PDB), the underlying assumptions on which the figures for each heading and sub-heading are based.

5. In order to optimise its actions, it is of the utmost importance for the European Union to achieve the best possible use of resources. Commitment and payment appropriations should be set so as to reflect real and well defined needs, in full respect of the ceilings fixed by the Multiannual Financial Framework. In addition, the Council strongly requests the Commission to take into account past trends of implementation when assessing the absorption capacity in all sectoral policies and in allocating resources. Monitoring the implementation and the effectiveness of programmes and actions is essential in view of ensuring sustainability of the EU public finances. Furthermore, the Council recalls the importance of reallocation, as a primary tool for budgetary flexibility, in order to allow the budgetary authority to adapt the appropriations in a realistic way.
6. The Council urges the Commission and the Member States to pursue their efforts to deliver better forecasts, while acknowledging the progress achieved so far. In this context, the Council points out once again that, while Member States are committed to present estimates under shared management as accurately as possible, the Commission remains ultimately responsible for ensuring that the appropriations introduced in the PDB reflect genuine needs and implementation capacity.

7. The Council stresses the great importance of keeping payment appropriations firmly under control. The Council also notes with great concern the volume of outstanding commitments and considers that the relation between the level of commitment and payment appropriations must be carefully weighed against the absorption capacity. The Council calls on all actors involved to continue to do their utmost to avoid overestimation.
8. The Council acknowledges the progress made by the Commission in the establishment of the PDB estimates and exhorts it to pursue its efforts to reduce to the minimum the recurring significant difference between the PDB and the outturn, as illustrated in the Annex. It underlines the fact that the PDB is the starting point of the budgetary procedure and therefore it must set the tone for a realistic budgeting. An accurate PDB, together with a constant monitoring and improvement of budget implementation are essential to avoid the significant under-execution of funds that continue to occur, and to allow the Member States to precisely anticipate the level of their contribution to the EU budget. Moreover, it would limit the recourse to corrective budgetary tools such as amending budgets to the strict minimum, thus avoiding their unexpected impact on national budgets.
9. While acknowledging the progress already made in this field, the Council calls on the Commission to continue its efforts to improve the structure and content of the various documents accompanying the PDB. Their content should be made as transparent, simple and concise as possible. This would reinforce the usefulness of these documents for the purposes of budgetary decision-making.
10. The Council notes with satisfaction the good functioning of the Commission's "Budget Forecast Alert" (BFA) system, which allows adjustments to the level of appropriations in a more realistic and rigorous way. It encourages the Commission to continue to refine its methods of monitoring expenditure. The Council expects the BFA information to be delivered sufficiently in time to allow its effective use at each stage of the 2010 budgetary procedure.

11. The Council, while recalling that the objective of the "Activity Based Budgeting" (ABB) is to match human and financial resources to political priorities, 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. While welcoming improvements made by the Commission and noting their usefulness in the assessment of EU action in 2009, the Council expects further improvements for 2010, in particular regarding performance information, in order for them to be more useful and to have a greater budgetary implication. Activity Statements should also focus more on results achieved, on justification of the level of appropriations proposed for different programmes and policies and on the added value of activities at EU level. A better link with the various headings and sub-headings of the Multiannual Financial Framework would help the budgetary decision-making process. The Council stresses its willingness to make constructive use of Activity Statements in the context of heading-by-heading discussions over budgetary allocations during the 2010 budgetary procedure.
12. As regards some sectoral issues, the Council identifies the following elements as crucial in preparing the 2010 budget:
- Concerning Competitiveness for Growth and Employment the Council, the Council attaches the greatest importance to a proper implementation of the various programmes and actions within the ceiling of this sub-heading. It underlines the importance of strengthening investment notably in the sectors of infrastructure and energy in full compliance with the conclusions of the European Council of December 2008¹, as well as in the field of energy security.

¹ Doc. 17271/1/08 REV 1 CONCL 5, point 11.

- As regards Cohesion for Growth and Employment the Council stresses the importance of the speedy implementation of the different measures mentioned in the joint statement agreed during the 2009 budgetary procedure¹, aiming at reaching cruising speed in the implementation of Structural and Cohesion Funds within the ceilings of the Multiannual Financial Framework, and to avoid recurrent under-implementation.

In the context of the current economic downturn, special attention should be paid *inter alia* to the simplification of rules and procedures, rapid start of programmes and projects still pending, including the relevant major projects, and increased prefinancing.

Therefore, it requests the Commission to speed up the compliance assessment procedures of the management and control systems in order to start the interim payments as soon as possible in 2009.

All actors involved should continue their efforts in order to establish a realistic and accurate level of payments for structural measures, and pursue an efficient and effective implementation of the 2007-2013 programmes.

- Concerning CAP expenditure, the Commission is invited to present realistic and clearly defined forecasts already in its PDB and then in its "*ad hoc*" letter of amendment of October, taking into account past implementation and foreseeable market prices evolution at European and international level. Particular attention should be given to ensuring that payment appropriations for expenditure related to rural development are accurate.
- As regards Citizenship, Freedom, Security and Justice, the Council recalls the importance of allocating sufficient resources to EU policies such as immigration.

¹ Doc. 16229/08 FIN 514 PE-L 114.

- As far as External Actions are concerned, taking into account the present and forthcoming challenges, both at the economic and stability level, the Council firmly believes that the role of the European Union as a global player must be reaffirmed and that the 2010 budget should have adequate means to match the Union's ambitions. In this respect, the Council stresses that sufficient margin under the ceiling of heading 4 is vital for the European Union, in order to enable it to provide for unexpected needs and crises in the most effective, flexible and rapid way.

In this context, the Council draws attention to the constantly growing role of the Common Foreign and Security Policy and the need for it to continue to be adequately funded; therefore, it points out that the level of appropriations has to be in line with the provisions and amounts established in the IIA bearing in mind the yearly amounts retained in the financial programming when the IIA was agreed.

- As for Administrative expenditure, the Council recalls the common objective of increasing administrative efficiency along the same line adopted by Member States to optimise the use of resources. The Council intends to continue to monitor and to improve EU institutions' effectiveness with a view to increasing administrative efficiency and stresses the crucial importance of redeployment and reorganisation.

The Council expects all the 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 Multiannual Financial Framework, 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 given to the comprehensiveness and comparability of information presented by the institutions, including in particular information in the areas of buildings, as well as to staff issues, including external staff, contractual agents and vacancy rates.

The Council is concerned about the evolution in appropriations for pensions and their impact on the administrative expenditure in the future. It insists that the Commission provides an updated estimate of annual pension expenditure at least up to 2013 well before the PDB. Moreover, the Council recalls its conclusions of 4 December 2008, where it invites the Commission to undertake a study of the budgetary implications of pension costs covering the next 30 years and to submit its findings to the Council by 1st July 2009¹.

- The Council reiterates the importance it attaches to the recruitment process in the context of enlargement. In line with the joint statement agreed during the 2009 budgetary procedure, it recalls that the budgetary authority "intends to continue to monitor closely the ongoing recruitment process" and expects all institutions to take the necessary steps in order to comply with the requirements of the joint statement.
- As far as the European Union's decentralised agencies are concerned, the Council reiterates the importance of keeping their funding under firm control, so as to provide for the real needs and to avoid over-budgeting.

The Council recalls the statements on agencies adopted during the 2008 and 2009 budgetary procedures and calls on the Commission and the agencies to comply with their requirements. It expects the Commission to continue providing a comprehensive picture concerning decentralised agencies, including their building policy, in due time for the PDB for 2010.

The Council strongly urges the Commission to continue to take into account agencies' unused appropriations when establishing the PDB, with the aim of bringing down the agencies' annual surpluses. It urges the Commission as well 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.

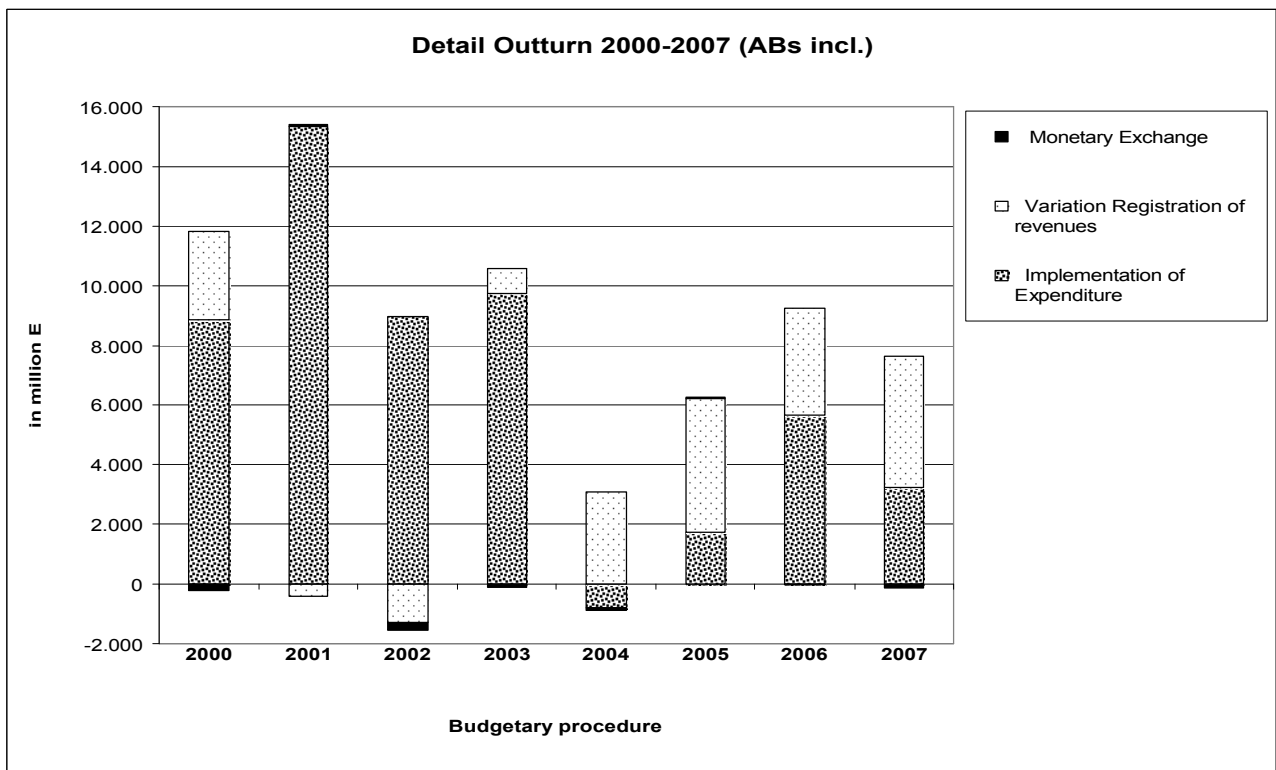
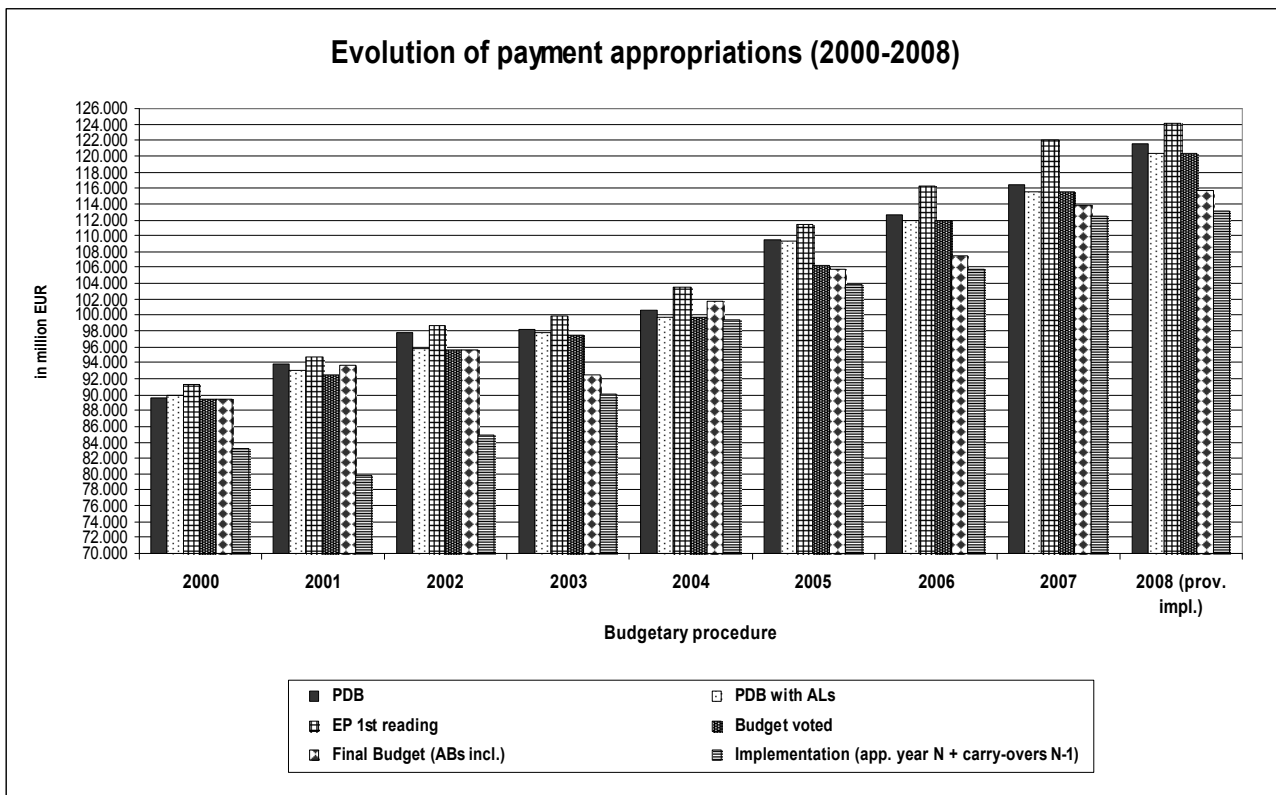
¹ Doc. 15643/08 STAT 34 FIN 495, point 4.

Regarding executive agencies, the Council will continue to monitor closely their activities, financing and staffing.

- As far as revenues are concerned, the Council strongly believes that increasing transparency concerning assigned revenue is part of a sound financial management of EU funds. It recalls the joint statement on assigned revenue agreed during the 2008 budgetary procedure and calls on all the institutions as well as agencies and other bodies to continue to provide all the requested information on a regular basis and in time for the PDB for 2010.

13. The Council recalls that the budget is one of the most significant tools to guarantee the accountability of the European Union towards its citizens; likewise it is fully aware that an accurate and accountable use of the EU resources is one of the essential means to reinforce the trust of the European citizens. Therefore, it attaches the greatest importance to these guidelines and expects them to be fully taken into account already in the PDB for 2010.

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



EVOLUTION OF PAYMENT APPROPRIATIONS (2000-2008)

EUR million

Budgetary procedure	PDB	PDB (ALs included)	Budget voted	Final budget (ABs included)	Implementation ⁽¹⁾	Variation final budget/implementation (figures)	Variation final budget/implementation (%)
	1	2	3	4	5	6 (= 4 - 5)	7 (= 6/4)
2000	89 663	89 870	89 387	89 441	83 224	6 217	6.95%
2001	93 896	93 007	92 569	93 780	79 772	14 008	14.94%
2002	97 807	95 794	95 655	95 656	85 003	10 653	11.14%
2003	98 207	97 880	97 503	92 525	90 177	2 348	2.54%
2004	100 649	99 660	99 724	101 807	99 403	2 404	2.36%
2005	109 568	109 372	106 300	105 684	103 908	1 776	1.68%
2006	112 567	111 970	111 970	107 378	105 654	1 724	1.61%
2007	116 370	115 531	115 497	113 846	112 377	1 469	1.29%
2008	121 533	120 347	120 347	115 771	113 123 ⁽²⁾	2 648	2.29%
Total⁽³⁾	940 260	933 431	928 952	915 888	872 641	43 247	4.72%

⁽¹⁾ Implementation = appropriations year N + carry-over N-1.

⁽²⁾ This total consists of (a) the provisional implementation figures for the *Commission*, and (b) the figures for budget voted for the *other institutions* as the provisional implementation figures are not yet available.

⁽³⁾ All absolute figures in nominal prices.

EVOLUTION OF OUTTURN⁽¹⁾ (2000-2007) (ABs included)

EUR million

Budgetary procedure	Implementation of Expenditures	Variation Registration of Revenue	Monetary exchange	Outturn total
2000	8 868	2 935	-191	11 613
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

⁽¹⁾ Outturn is the sum of:

- difference between the payment appropriations authorized and the implementation;
- difference between the estimated revenue in a budget and the revenue effectively received;
- result of the exchange rate differences for the year.