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NOTE

from:	General Secretariat of the Council
to:	Delegations
Subject :	Plenary Session of the European Parliament, 10 September 2013 **Presentation by the Council of its position on the draft general budget - 2014 financial year**

On behalf of the Council, Mr RIMKŪNAS, Lithuanian deputy Minister for Budget, delivered the speech in annex I.

On behalf of the Commission, Mr LEWANDOWSKI, Commissioner in charge of Financial Programming and Budget, delivered the speech in annex II.

Ms HOHLMEIER (EPP, DE) rapporteur in charge of the 2014 draft general budget - EP and other sections, considered - in general - that the Council approach in cutting the budget reflected budgetary constraints within the MS, rather than a case by case analysis of could be justified and agreed. As for the EP budget, she considered that it would be kept in line with inflation and be an austerity one, since it would decrease by 0.3 %, apart from special costs related to the new legislature and the extra costs for Croatia. Negotiations to reduce costs through synergies with the EESC and the Committee of the Regions were ongoing but clear figures could not yet be put forward. As for EEAS, she considered that a 1.7% increase was not enough for a body that was relatively new and insisted in particular on taking into account costs for EEAS security issues. As for the other institutions, she expressed doubts that the cuts reflected an objective assessment of their needs and expressed the wish to debate this further with the Council.

Ms JENSEN (ALDE, DK) rapporteur in charge of the 2014 draft general budget expressed disappointment at the reductions introduced by the Council and considered that cuts to R&D were contrary to the July agreement on MFF. She also complained about a tight budget for external affairs, administration and agencies. She added that the Commission would experience more problems in paying its bills, because of the low level of payment appropriations. In her view, negotiations would not be easy, because of the approach of a number of MS which focused entirely on achieving savings. She thanked the Lithuanian Presidency for its introductory work and its willingness to reach a satisfactory solution.

Mr LAMASSOURE (EPP, FR), on behalf of the BUDG committee considered that both the 2014 draft budget and the amending budgets for 2013 were subject to an absolute political constraint: i.e. the need to respect the agreement between the three institutions on the multiannual financial framework (MFF). The draft 2014 budget adopted on September 2 introduced cuts on policy priorities such as youth employment, research, aid to SMEs, Erasmus for all and the Structural Funds, which he considered to be unacceptable, since they supported growth. In his view, finance Ministers were not following the decisions of their Heads of Government and considered that the agreement with the EP had to be respected. He referred to the EUR 3.9 billion DAB that the Commission would soon propose as a precondition for the EP plenary vote on the MFF, which was now scheduled for the October 2 plenary session.
He also announced a tripartite meeting on payments and thanked the Lithuanian Presidency for accepting the principle of such a meeting.

In his closing remarks, Mr RIMKŪNAS considered that a better understanding of mutual positions was key to finding an agreement. He thanked the parliament for the fruitful exchange of views and called on the Commission to perform its role of honest broker. He assured MEPs that the Lithuanian Presidency would do its utmost to reach a positive result in the upcoming negotiations in October and November.

President, Honourable Members,

I am honoured to present to you today the Council's position on the draft budget of the European Union for the financial year 2014, the first annual budget under the new multiannual financial framework. This position was adopted by the Council on 2 September.

The Council is ready to work, with both this Parliament and the Commission, in the coming weeks and months in order to secure an agreement on a realistic and balanced budget for 2014. Close and efficient cooperation is necessary to this end. The Council, for its part, is ready to work constructively and in a spirit of compromise.

The budgetary trilogue, which took place last week on 3 September, was positive and very encouraging. I was particularly glad to note that we all - European Parliament and Council - agree on the high priority we attach to programmes and actions supporting employment and growth. Let me emphasise in this respect that the Council generally accepts the amounts proposed by the Commission in the draft budget for 2014 for all operational expenditure relating to programmes under the new multiannual financial framework. I would like to point out that all reductions proposed by the Council in its position are based on a detailed analysis of the probable implementation of the individual programmes and actions concerned, and that no general approach or unjustified cuts have been applied.

The Council's position on the first draft annual budget under the new multiannual financial framework foresees, in absolute figures, EUR 142.2 billion in commitments and EUR 135 billion in payments. It was supported by a very large majority of Member States.

I would like to draw your attention to three important elements that form the basis of the Council's position:

Firstly, the Council decided to give priority to the programmes and actions that are designed to put Europe back on the track of sustainable and inclusive growth and jobs, including for specified policy objectives relating to Youth Employment, Research, Erasmus and SMEs, and boost the financing of the economy;

Secondly, the Council took into account the continuous efforts made by Member States to consolidate their national budgets. Particular emphasis was laid on keeping administrative expenditure under control, in line with Member States' domestic policy, thereby applying sound financial management;

And thirdly, the Council proposed to leave sufficient margins under the ceilings of the multiannual financial framework, in order to be able to cope with unforeseen situations.

I will now briefly set out the main elements of the Council's position on each of the headings and sub-headings of the multiannual financial framework.

Starting with heading 1 - Smart and inclusive growth:

The Council attaches particular importance to this heading as it corresponds to an area where EU action has significant added value, playing a key role in the context of the "Europe 2020" Strategy, especially in research, competitiveness, entrepreneurship and innovation.

Under sub-heading 1a - Competitiveness for growth and jobs - the Council supports the actions in favour of the competitiveness in particular of small and medium-sized enterprises and for investment in education and in human skills through the "Erasmus for all" programme.

The reductions applied to this sub-heading concentrate on large infrastructure projects (based on expected absorption capacities), the completion of previous programmes and support expenditure. The reduction applied by the Council to large projects such as "ITER" and "Trans-European Networks" is in line with the approach recently suggested by the Commission: To frontload appropriations for "Horizon 2020", "Erasmus" and "COSME" to the first years of the new multiannual financial framework, and to compensate this frontloading by postponing certain expenditure for large projects to later years.

The Council has also sought to secure an adequate level of payment appropriations for structural actions. It therefore agreed that under sub-heading 1b - Economic, social and territorial cohesion - payment appropriations should grow by +7.5 % compared to 2013.

In accordance with the European Council conclusions of 27/28 June, the allocation of EUR 6 billion to the Youth Employment Initiative will allow the first disbursements to beneficiaries in EU regions experiencing high youth unemployment rates as from January 2014.

With respect to heading 2 - Sustainable growth: natural resources:

The Council proposes to stabilise the level of appropriations compared to 2013. Nevertheless, the Council agrees to increase the appropriations for market-related expenditure and direct payments under the European Agricultural Guarantee Fund by +0.27 %.

The reductions applied to this heading are distributed between the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund. They are based on the latest information available and are subject to revision following the presentation by the Commission of its traditional letter of amendment in the autumn.

Regarding heading 3 - Security and citizenship:

The Council supports modest reductions to both commitment and payment appropriations, taking into account realistic absorption capacities.

Save for support expenditure, the Council backs the appropriations proposed by the Commission in relation to asylum and migration, initiatives in the areas of external borders, justice, internal security, public health and consumer protection.

With respect to heading 4 - Global Europe:

The Council sets commitment and payment appropriations at a lower level than that proposed by the Commission, in order to better reflect past and current budget implementation and take into account realistic absorption capacities.

This heading, together with sub-headings 1a and 1b and heading 2, is subject to a statement on payment appropriations in which the Council invites the Commission to submit a draft amending budget if payment appropriations in 2014 are insufficient to cover expenditure under those headings.

With respect to heading 5 - Administration:

The Council acknowledges the efforts made by the institutions to limit the increase in their respective budget estimates, including the reduction of the number of staff in line with the -5 % target over the period 2013-2017. Nevertheless, further saving potentials were identified.

The Council proposes to remove the appropriations included in the institutions' estimates related to salary adjustments in 2011 and 2012. The Council considers that it is not for the EU institutions to anticipate the Court of Justice ruling on this issue.

A similar approach was adopted in relation to all decentralised agencies, where the Council supports comparable reductions to both commitment and payment appropriations in proportion to the number of staff, self-financed posts excepted.

The Council, as usual, did not modify the European Parliament's section of the budget.

And finally, regarding heading 6 - Compensations:

The Council agrees with the level of appropriations proposed by the Commission.

President, Honourable Members,

I am convinced that the Council's position on the draft budget for 2014 represents the necessary balance between the need to take into account the difficult economic situation in Member States and to secure adequate appropriations in the EU budget to support new programmes and actions. Promoting growth and fiscal consolidation are mutually reinforcing.

We all agree on the importance and added value of programmes and actions carried out at European level and everybody supports their appropriate financing. Also Ministers of Finance do. But we are all bound to the objectives of budgetary discipline and the national targets of bringing down government debts and deficits. Before this background, each additional Euro in the EU budget weighs heavily on national budgets. This is a constraint which concerns us all. We therefore have to prioritise and find the right balance - ensuring, on the one hand, the timely implementation of the agreed programmes and actions whilst, on the other hand, limiting our deficits in national budgets to the required levels. I duly count on your comprehension and support in this respect.

Ladies and Gentlemen, the budget of the European Union for the financial year 2014 will play a crucial role in supporting the economy, by acting as a catalyst for growth and jobs and leveraging productive and human capital investments. I very much hope that this common goal will guide all of us in our discussions over the next few months as we seek to reach an agreement on the 2014 budget.

I thank you for your attention.

Mr President, Minister, honourable Members, the session today is for me the second opportunity after our trilogue to express my deep concern at the Council's reading of the budget proposal for 2014.

When presenting the draft for 2014 our message was clear. It cannot this time be 'business as usual', for many reasons. We were doing it in the specific context of the advanced negotiations on the next MFF period and later than usual – that is in June – to make a more stable point of reference for the draft budget. First of all, however, already in our proposal – due to the low ceilings of the starting period of the next financial perspective – our proposal was, in terms of commitments, 6% less or EUR 9.1 billion less than we needed for this year and, in terms of payments, EUR 8.4 billion less than we needed for 2013. Therefore, it cannot be a question of a routine type of cutting, and I am really concerned at the Council's reading going the traditional way of cuts to what is already a very low level for 2013 and of cutting commitments by EUR 240 million and payments by over EUR 1 billion.

What is more, I cannot detect too much logic in the reading or in the way the cuts were made, in the context of all the promises that we should use all our available tools to reinforce growth and competitiveness in a Europe where there is very weak recovery this year and next year, as the cuts are in structural funding and this is an instrument, the instrument to promote growth and competitiveness.

The major cuts by volume are in the heading which compromises real instruments for small and medium-sized companies, like COSME, and for research and development for Horizon 2020. Also what was reduced is the administrative support expenditure for research and infrastructure in a way that could be detrimental to the implementation of these programmes.

In the external actions, given what we know about what is around Europe – Syria for example – again the cuts for support expenditure could be detrimental to the implementation of our obligations vis-à-vis the external world. I cannot accept the justification that this is being done because we need margins for so-called flexibilities and unexpected developments through 2014. It is in the nature of flexibilities of special instruments to mobilise them above the ceiling and not within the ceiling, so this is not the right justification for leaving the margins for the next year.

This continuous effort to reduce what is already reduced and probably not fully satisfying the needs of 2014 is really worrying, as we know what is the life cycle of major projects in Europe. This is 2013. It is not the end. We have n+2 therefore – 2014, 2015 – and we know what the situation is in Europe and in the labour market of Europe. Therefore, we should really make an effort this time, and perhaps our joint meeting on payment developments could be the opportunity to discuss the developments in payments and what is the maturity of major projects in Europe throughout this time. I am fully in favour of that sort of opportunity to discuss what might be the soundest approach to budgeting at this critical time of fragile recovery in Europe.

This is a very specific budget, as really 90% of appropriations are either so-called non-differentiated expenditure of the roles and only 10% is for the next programmes of the new financial perspective of 2014-2020.

As for salary adjustment, yes it is cut but when the Court is ruling otherwise, it should be restored.

As to the agencies, this is again a very strict approach, with a 1% cut in compliance and with the interinstitutional draft agreement saying that all the institutions are obliged to seek reductions by 1% and no one institution is free of that sort of duty.

Therefore I am asking Parliament to take these arguments into account when preparing the reading of the 2014 budget. I am grateful to Anne Jensen for her efforts to prepare on time the indicative list of pilot project preparatory actions. That is making our assessment evaluations easier and I hope for really good cooperation in the procedure.

What we need now of course is to deliver amending letters taking account of what we know now in the course of the year. The first one is a specific one because this is to comply with the last minute agreements of the 2014-2020 financial perspective – that is frontloading or backloading but mainly frontloading of COSME, Erasmus and Horizon 2020.

The second amending letter should be a routine one on agriculture and fisheries.

Let us remain optimistic that we can accomplish our task within 21 days of conciliation this time and that there can be a reasonable outcome to our negotiations.