



**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 5 February 2014
(OR. en)**

5852/14

FIN 75
PE-L 10
INST 69

REPORT

From: Budget Committee
To: Permanent Representatives Committee/Council
Subject: Budget guidelines for 2015
- *Draft Council conclusions*

1. By way of preparation of the budget guidelines for 2015 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 4 February 2014, the Committee reached an agreement on the text as recorded in ANNEX 1.
3. The Permanent Representatives Committee is invited to advise the Council to:
 - adopt these draft Council conclusions at the ECOFIN Council on 18 February 2014; 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 2 to that effect.

**Draft Council conclusions
on the budget guidelines for 2015**

Introduction

The Council underlines that the budget 2015 will be the second one in the new programming period, playing a key role in the development and delivery of the Union's objectives and priorities. The budgetary procedure for 2015 will take place within the context of the multiannual financial framework (MFF) Regulation for the period 2014-2020¹ and the Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management² (IIA) now in force.

The Council emphasises the need to maintain budgetary discipline at all levels. Although there are some signs of optimism regarding the economic outlook during the years ahead, the budgetary procedure for 2015 will still take place in the context of considerable budget constraints in many Member States. The Council, while recalling the principle of solidarity, considers that the EU budget should take into account the current economic situation and also provide resources contributing to mitigate its negative effects, notably by seeking to boost growth, promote employment and create new jobs, as well as enhancing effective EU cohesion and increasing competitiveness.

¹ Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p.884).

² Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (OJ C 373, 20.12.2013, p.1).

As such, the Council considers that a balance between fiscal consolidation and investments to boost growth is needed. This can be achieved especially through the prioritisation of objectives, along with the allocation of available resources to programmes and actions that contribute the most towards achieving these aims. In this context, the Council recalls the political agreement on the frontloading for specific policy objectives in 2014 and 2015 relating to youth employment, research, ERASMUS in particular for apprenticeships and Micro, Small and Medium-sized Enterprises. The budget 2015 should provide the necessary resources to respect commitments already made and to implement the Union's 2015 policy priorities, taking into account the increased level of unpaid applications at the end of 2013. The Council invites the Commission to present a budget in line with the aforementioned objectives, including the delivery of EU added value.

Key elements of the budget 2015

The Council reiterates the need for a realistic budget respecting the principle of sound financial management. As regards commitment and payment appropriations, their level should be kept under strict control taking into account 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 previous MFF 2007-2013 and the expected needs for the period 2014-2020. The Council emphasises that the budget 2015 and corrective budgetary tools shall strictly respect the relevant ceilings in accordance with the MFF Regulation. Moreover, the Council stresses the need to leave sufficient margins under the ceilings in order to be able to deal with unforeseen circumstances.

As the draft budget presented by the Commission will be the starting point of the budgetary procedure, the Council encourages the Commission and the 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 contributions 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 encourages the Commission to pursue its efforts to deliver more accurate forecasts on traditional own resources, taking into account the economic and financial upheavals. It strongly believes that full transparency regarding assigned revenues 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 on a regular basis.

The Council also urges the Commission to provide precise and updated information on past and future implementation in line with the provisions of the IIA. This is essential to avoid significant under-implementation of certain budget lines and unjustified carry-overs. It also allows the budgetary authority to assess any possible requests for additional appropriations or 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 is concerned about the volume of the outstanding commitments² (RAL). 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 close relationship between commitment and payment levels, the level of outstanding commitments, the need to respect the MFF ceilings, the absorption capacity and past implementation rates. The Council invites the Commission to develop the appropriate tools to monitor the evolution of the RAL by heading and by programme on a yearly basis.

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 2013, outstanding commitments (RAL) amounted to EUR 221.6 billion.

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 transparent, simple and concise and clearly justify the requested appropriations, including their repercussion in terms of payment appropriations for the following years. Particular attention should be paid to the volume of outstanding commitments and payment profiles.

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 realistic and rigorous way at the various stages of the budgetary procedure.

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

Interinstitutional cooperation during the budgetary procedure

The Council encourages all institutions to collaborate efficiently and constructively, allowing for a smooth budgetary procedure and the establishment of the budget 2015 within the deadlines set by the Treaty on the Functioning of the European Union (TFEU) and in line with the IIA.

The Council stresses the need to preserve the annual character of the budgetary procedure and to avoid discussions on issues not directly linked to the annual budget negotiations. It recalls that the purpose of the Conciliation Committee, convened in respect of Article 314 TFEU, is to establish the budget 2015. Furthermore, the Council invites the Commission to ensure the timely and equal access to information and documents in particular during the last phase of the conciliation negotiations.

Administrative expenditure

In the context of fiscal consolidation in Member States, national administrations have to optimise the use of limited resources. There is also a need for rationalization of EU's administrative expenditure. Therefore, the Council urges the institutions to reduce or freeze their administrative expenditure as much as possible and to request financing only for justified needs.

The Council expects every institution to provide in advance clear, comprehensive and consolidated information of all administrative expenditure, thus allowing the European Parliament and the Council 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.

The Council recalls the agreement, as stated in Point 27 of the IIA, to progressively reduce by 5 % the staff in all institutions, bodies and agencies between 2013 and 2017. In this context, the Council invites all institutions, agencies and other bodies to appropriately report on the evolution of their staffing reductions. Likewise, the Council invites the Commission to consolidate all data received in the form of a comprehensive table and to monitor the implementation of the 5 % target.

Agencies

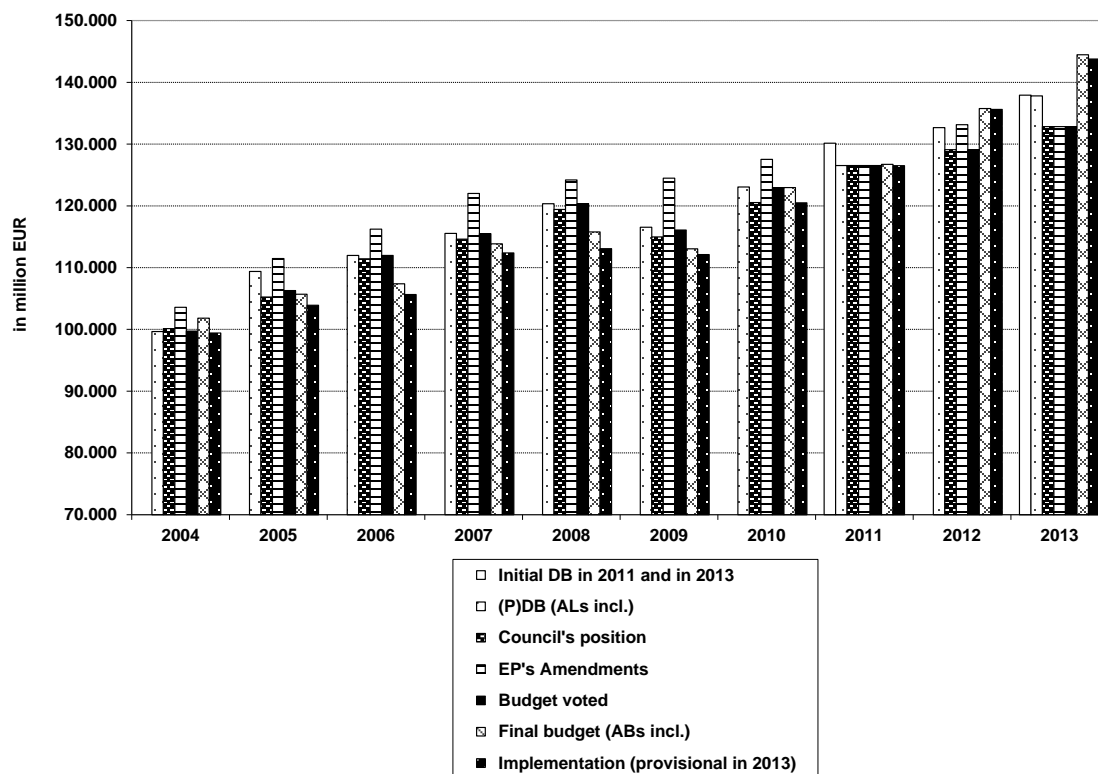
The Council regrets that the recurrent over-budgeting for some agencies has led to unjustified carry-overs. It reiterates the importance of keeping their funding under firm control and limiting it only to justified needs. The Council urges the Commission, when establishing its draft budget for 2015, 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 implementation and recruitment problems as well as the 5 % staff reduction target. The Council expects the Commission to continue providing the European Parliament and the Council with a comprehensive picture concerning agencies, including their building policy, together with the draft budget for 2015. An interinstitutional working group is being set up, for the purpose of a closer and more permanent scrutiny on the development of decentralised agencies.

Conclusion

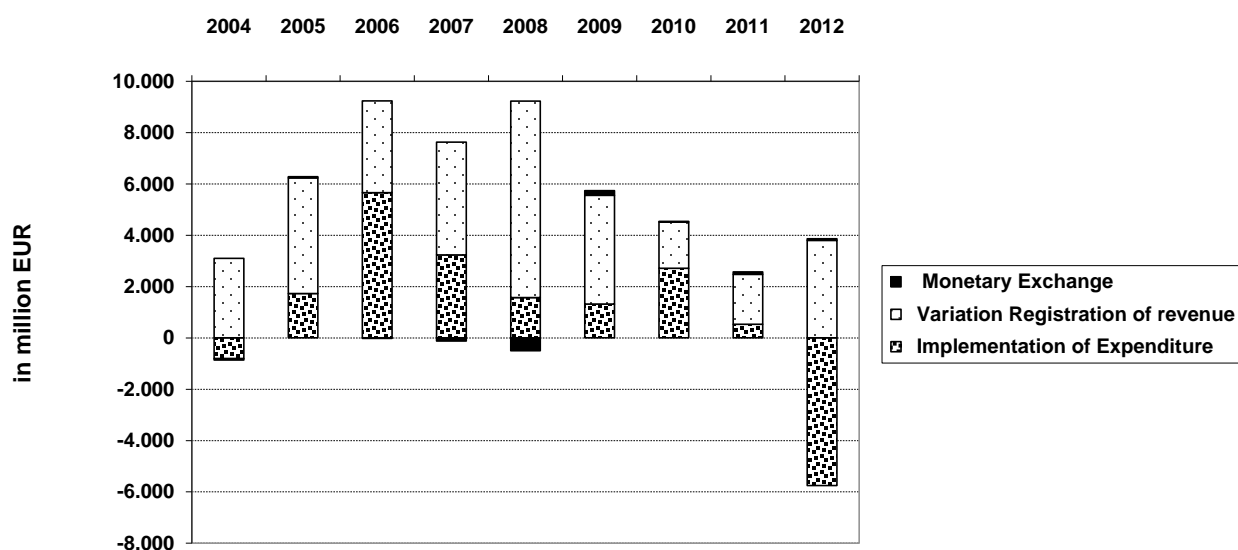
The Council considers that the EU budget should provide resources contributing to mitigate the negative effects of the current economic and social situation, notably by leveraging productive investments and providing the appropriate resources to boost growth and employment. The Council recognises that a balance between fiscal consolidation and investments to boost growth is needed. It underlines that an accurate and accountable use of Union resources is one of the essential elements to reinforce the trust of EU citizens. Therefore, the Council reiterates the great importance it attaches to these guidelines and expects them to be duly taken into account when preparing the draft budget 2015.

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

Evolution of payment appropriations (2004-2013)



Detailed Outturn 2004 - 2012 (ABs incl.)



EVOLUTION OF PAYMENT APPROPRIATIONS (2004-2013)

Budgetary procedure	(EUR million) ¹										
	(P)DB	(P)DB Ls incl.)	Council's position	EP's AMD	Budget voted	Final budget (ABs incl.)	Implementation ²	Final budget/ implementation (figures)	Final budget/ implementation (%)	Implementation / (P)DB (ALs incl.) (%)	
	1	2			3	4	5	6 (= 4 - 5)	7 (= 6/4)	8 (= 5/2)	
2004	100 649	99 660	100 123	103 563	99 724	101 807	99 403	2 404	2.36 %	99.74%	
2005	109 568	109 372	105 250	111 472	106 300	105 684	103 908	1 776	1.68 %	95.00%	
2006	112 567	111 970	111 421	116 223	111 970	107 378	105 654	1 724	1.61 %	94.36%	
2007	116 370	115 531	114 613	122 016	115 497	113 846	112 377	1 469	1.29 %	97.27%	
2008	121 533	120 347	119 410	124 196	120 347	115 771	113 070	2 701	2.33 %	93.95%	
2009	116 744	116 546	114 972	124 488	116 096	113 035	112 107	928	0.82 %	96.19%	
2010	122 316	123 061	120 521	127 526	122 937	122 956	120 490	2 466	2.01 %	97.91%	
2011	126 527 ³	126 527	126 527	126 527	126 527	126 727	126 497	230	0.18 %	99.98%	
2012	132 739	132 668	129 088	133 139	129 088	135 758	135 602	156	0.12 %	102.21%	
2013	137 798 ⁴	137 798	132 837	132 837	132 837	144 451	143 766 ⁵	685	0.47 %	104.33%	
Total	1 196 810	1 193 481	1 174 762	1 221 987	1 181 323	1 187 413	1 172 874	14 539	1.22%	98.27%	

¹ All absolute figures in nominal prices.

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

³ The initial 2011 DB amounted to EUR 130 136 million. A new draft budget was presented by the Commission in November 2010.

⁴ The initial 2013 DB amounted to EUR 137 924 million. A new draft budget was presented by the Commission in November 2012.

⁵ This total consists of:

(a) the provisional implementation figures for the *Commission* (available at 20/01/2014), and

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

EVOLUTION OF OUTTURN¹ 2004-2012 (ABs included)

	<i>(EUR million)</i>				
Budgetary procedure	Implementation of Expenditure	Variation registration of Revenue	Monetary exchange	Outturn total	
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	
2012	-5 756	3 800	60	-1 896	

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 2015, adopted by the Council at its meeting on 18 February 2014.

[Complimentary close].

¹ Doc. 5852/14 FIN 75 PE-L 10 INST 69.