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BUDGET 36

## EXPLANATORY MEMORANDUM

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Subject: New draft budget of the European Union for the financial year 2015:  
Council position of 12 December 2014

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### I. INTRODUCTION

1. On 25 June 2014, the Commission submitted a proposal containing the draft budget for the financial year 2015, regarding which no agreement was reached under the Conciliation procedure provided for in Article 314(4) to (6) of the Treaty on the Functioning of the European Union (TFEU).
2. In application of Article 314(8) TFEU, the Commission submitted a new draft budget for the financial year 2015 on 28 November 2014.
3. At the trilogue on 8 December 2014, the European Parliament and the Council reached an *ad referendum* agreement on a draft package, comprising the new draft budget for 2015, the outstanding draft amending budgets (DABs) relating to 2014 and draft statements.

According to that agreement, the new draft budget for 2015 was amended as follows:

- a) the overall level of commitment appropriations in the 2015 budget is set at EUR 145 321.5 million. Overall, this leaves a margin below the multiannual financial framework (MFF) ceilings for 2015 of EUR 1 760.1 million in commitment appropriations;

- b) the overall level of payment appropriations in the 2015 budget is set at EUR 141 214.0 million. This includes an amount of EUR 126.7 million which relates to the mobilisation of the EU Solidarity Fund linked to DABs No 5/2014 and 7/2014;
  - c) the Flexibility Instrument for 2015 is mobilised for an amount of EUR 83.3 million in commitment appropriations;
  - d) the 2015 payment appropriations related to the mobilisation of the Flexibility Instrument for additional assistance to Cyprus in 2014 and 2015 are estimated by the Commission at EUR 11.3 million.
4. As part of the overall compromise, the European Parliament and the Council also agreed on the following joint statements on:

- a) draft amending budget No 6/2014 (own resources) and amendment of Council Regulation 1150/2000

*"The European Parliament and the Council agree to adopt draft amending budget No 6/2014 as amended by Amending Letter 1/2014.*

*In light of the Commission proposal to amend Council Regulation (EC, Euratom) No 1150/2000 implementing Decision 2007/436 (EC, Euratom) on the system of the European Communities' own resources presented by the Commission on 12 November 2014, the European Parliament commits to provide its opinion to the amended Regulation 1150/2000 in time to ensuring its adoption in the EP plenary session of December 2014 and the Council to adopt it as part of the overall package."*

- b) the mobilisation of the Contingency Margin

*"2014 has seen an unprecedented high amount of outstanding payments for structural and cohesion funds at the beginning of the financial framework, while a number of new programmes have been significantly frontloaded. Given this unique and exceptional situation which cannot be accommodated within the payment ceiling for 2014, the three institutions agree that the Contingency Margin will be mobilised for the financial year 2014 as a last resort.*

*The institutions recall that Article 13 of the MFF Regulation stipulates that "Amounts made available through the mobilisation of the Contingency Margin shall be fully offset against the margins in one or more MFF headings for the current or future financial years".*

*The institutions agree to do their utmost to find appropriate solutions so that the exceptionally high level of outstanding payments of the structural and cohesion funds of the 2007-2013 period should not persist beyond 2014 and that, therefore, all efforts will be undertaken to ensure that the Contingency Margin will not be mobilised to finance outstanding commitments stemming from programmes for structural and cohesion funds in the financial years 2015-2020."*

c) special instruments

*"The institutions recall that the Contingency Margin is a last resort instrument which should therefore not be mobilised if there are still financial possibilities left. In the framework of the general budget for 2014 there is disagreement as to whether an amount of EUR 350 million in payment appropriations covering other special instruments is still available in the unallocated margin.*

*The institutions agree that it is of major importance to find an agreement in principle on the mobilisation of other special instruments for payments as quickly as possible.*

*However, as it has not been possible to reach such an agreement in the context of the negotiations of the package covering DABs for 2014 and the general budget for 2015 the institutions agree, so as to ensure a timely adoption of that package:*

- the amount of EUR 350 million in payment appropriations is added to the Contingency Margin;*
- to endeavour to find a rapid agreement on whether and to what extent other special instruments may be mobilised over and above the MFF ceilings for payments with a view to determining whether and to what extent the amount of EUR 350 million should be offset against the MFF margins for payments for current or future financial years;*
- to accompany – as appropriate – the above by the necessary modifications of the decision mobilising the Contingency Margin for the budget year 2014, or by any other legally necessary actions required to ensure full respect of the MFF Regulation and notably its Article 13(3)."*

d) the financing of the emergency measures in response to the Russian food import ban

*"Following the Russian food import ban, a series of emergency measures has already been adopted in August and September 2014, and a further package targeted to the dairy sector in the Baltic States has been approved on 26 November 2014. As soon as the conditions respecting the objective criteria required for eligibility are met, the Commission may propose another package targeted to the dairy sector in Finland.*

*In its Amending Letter (AL) 1/2015, the Commission announced its intention to finance, if needed, these measures through the reserve for crises.*

*Since the presentation of the AL 1/2015, the following three new elements have emerged, which allow the financing of those emergency measures without using the crisis reserve:*

- according to the declarations of the Member States on the actual uptake of the measures adopted in August and September, the cost is reduced from the initially estimated EUR 344 million to some EUR 234 million;*
- the final surplus of the EAGF exercise 2014 is some EUR 230 million higher than anticipated in the AL 1/2015, which was still based on estimates;*
- the financial corrections to be collected in 2015 are expected to be higher than initially expected last October."*

*Based on these three new elements, the emergency measures referred to above (including those related to the dairy sector in the Baltic States, and for Finland once the conditions are met) can be financed within the appropriations requested in the AL 1/2015 thanks to this additional assigned revenue without having recourse to the crisis reserve."*

e) payment appropriations

*"The European Parliament, the Council and the Commission recall their shared responsibility, as laid down in Article 323 of the Treaty on the Functioning the European Union (TFEU), that 'the European Parliament, the Council and the Commission shall ensure that the financial means are made available to allow the Union to fulfil its legal obligations in respect of third parties'.*

*The European Parliament and the Council recall the need to ensure, in the light of implementation, an orderly progression of payments in relation to the appropriations for commitments so as to avoid any abnormal level of unpaid invoices at year-end.*

*The European Parliament and the Council agree to set the level of payment appropriations for 2015 at EUR 141 214 040 563. They ask the Commission to initiate any necessary action, on the basis of the provisions of the MFF Regulation and the Financial Regulation, to cover the responsibility assigned by the Treaty and, in particular, after having examined the scope for reallocation of the relevant appropriations, with particular reference to any expected under-implementation of appropriations (Financial Regulation Article 41§2) to request additional payment appropriations in an amending budget to be presented as soon as it appears that appropriations entered in the 2015 budget are insufficient to cover expenditure.*

*The European Parliament and the Council will take position on any draft amending budget as quickly as possible in order to avoid any shortfall in payment appropriations. The European Parliament and the Council undertake to process swiftly any possible transfer of payment appropriations, including across financial framework headings, in order to make the best possible use of payment appropriations entered in the budget and align them to actual execution and needs.*

*The European Parliament, the Council and the Commission will, throughout the year, actively monitor the state of implementation of the 2015 budget, in particular under sub-heading 1a (Competitiveness for Growth and Jobs), sub-heading 1b (Economic, social and territorial cohesion) and rural development under heading 2 (Sustainable Growth: Natural Resources). This will take the form of dedicated inter-institutional meetings, in accordance with point 36 of the Annex of the Interinstitutional Agreement, to take stock of payment implementation and revised forecasts.*

*These meetings should take place at least three times in 2015 (in spring at the time of the presentation of the draft budget, in July ahead of the Council reading on the 2016 draft budget and in October before the beginning of the Conciliation) and be at political level in the presence of Members of the European Parliament, Members of the Council and the Commission Vice-President for Budget and Human Resources. The meetings should aim at reaching a joint assessment of the required level of payment needs, based on a thorough analysis of existing bills that have to be legally honoured and estimates for the rest of the year N and the year N+1."*

f) a payment plan

*"The institutions agree to the objective to reduce the level of unpaid bills, with a particular focus on cohesion policy, at year-end down to its structural level in the course of the current MFF.*

*In order to reach this objective:*

- the Commission agrees to present, along with the joint conclusions on Budget 2015, a most up to date forecast of the level of unpaid bills by end 2014; the Commission will update these figures and provide alternative scenarios in March 2015 when a global picture of the level of unpaid bills at the end of 2014, for the main policy areas, will be available;*
- on this basis, the three institutions will endeavour to agree on a maximum target level of unpaid bills at year-end which can be considered as sustainable;*

- *on this basis and while respecting the MFF Regulation, the agreed financial envelopes of the programmes as well as any other binding agreement, the three institutions will engage to implement, as of 2015, a plan to reduce the level of unpaid bills corresponding to the implementation of the 2007-2013 programmes to the commonly agreed level by the mid-term review of the current multiannual financial framework. Such a plan will be agreed by the three institutions in due time before the presentation of the draft budget 2016. Given the exceptionally high level of unpaid bills, the three institutions agree to consider any possible means to reduce the level of those bills.*

*Every year, the Commission agrees to accompany its draft budget by a document evaluating the level of unpaid bills and explaining how the draft budget will allow for the reduction of this level and by how much. This annual document will take stock of the progress made so far and propose adjustments to the plan in line with updated figures."*

## **II. OUTCOME OF THE COUNCIL'S PROCEEDINGS**

On 12 December 2014, the Council agreed on the new draft budget for 2015, as amended.

A detailed breakdown by heading and sub-heading of the MFF is set out in the technical annex contained in Addendum 1 to this explanatory memorandum. The corresponding detailed figures for each institution and by policy area are set out in the technical annexes contained in Addenda 2 to 6. The changes made to the establishment plans are set out in the technical annex contained in Addendum 7.

The total revenue needs to be updated taking into account the Council's position.

## **III. CONCLUSION**

On 12 December 2014, the Council adopted its position on the new draft budget of the European Union for the financial year 2015 on the basis of the elements recorded in points I and II above.