



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 3 February 2011**

**5895/11**

**FIN 51**

**REPORT**

---

from : Budget Committee  
to : Permanent Representatives Committee/Council

---

Subject: Draft Council conclusions on the budget guidelines for 2012

---

1. By way of preparation of the budget guidelines for 2012 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 1 February 2011, the Committee reached an agreement on the text as recorded in ANNEX I.
3. The Permanent Representatives Committee is invited to submit these draft Council conclusions to the ECOFIN Council on 15 February 2011 for adoption.

**Draft Council conclusions  
on the budget guidelines for 2012**

***Introduction***

The 2012 budgetary procedure will play an important role in the pursuit and development of the European Union's objectives and priorities and takes place in a very specific context due to two main factors.

The Council considers that the consequences of the economic crisis, including efforts towards rigorous fiscal consolidation, will still be predominant in 2012. It is essential that the budget for 2012 takes into account economic and budgetary constraints at the national level. At the same time it is essential that the implementation of EU programmes and actions, including the financing of actions aiming at tackling the effects of the crisis and promoting growth, continue at EU level. Therefore prioritisation of objectives and redeployments allowing the best allocation of available resources will be central elements of the 2012 budgetary procedure.

At the same time, the 2012 budgetary procedure is the second procedure under the Lisbon Treaty. This procedure will require all institutions to collaborate efficiently and constructively, allowing a smooth implementation of the new budgetary procedure and the establishment of the budget for 2012 within the deadlines set out by the new Treaty. In this respect, the Council stresses the importance of a good collaboration between the two arms of the budgetary authority and with the Commission. It underlines that the purpose of the Conciliation Committee is to establish, in respect of Article 314 of the Treaty on the Functioning of the EU (TFEU), the Union's budget for 2012, and that work should be firmly focused accordingly, avoiding any issues not directly linked to the annual budget.

## *Key elements of the budget for 2012*

The Council underlines the importance of maintaining an overall budgetary discipline. It recalls the conclusions of the European Council of 28 and 29 October 2010<sup>1</sup> stressing that, at the same time as fiscal discipline is reinforced in the European Union, it is essential that the EU budget reflects the consolidation efforts being made by Member States to bring deficit and debt onto a more sustainable path.

The budget for 2012 should remain strictly within the limits fixed in the current 2007-2013 financial framework. Sufficient margins should be left under all the ceilings of the various headings and sub-headings of the financial framework, with the exception of sub-heading 1b, for the purpose of sound financial management and notably to cater for unforeseen circumstances. The Council stresses in particular 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.

The Council underlines the fact that the draft budget presented by the Commission is the starting point of the budgetary procedure and therefore it must be based on a realistic budgeting.

Commitment and payment appropriations should be set so as to reflect real and well defined needs. The Council requests the Commission to continue to take into account not only forecasts but also past trends of implementation, as well as absorption capacity in all sectoral policies when proposing appropriations.

The Council stresses the great importance of keeping commitment and payment appropriations under strict control, and also taking into account the increasing payment profiles in certain areas within the limits set out in the financial framework. All actors involved should continue their efforts in order in particular to establish an accurate level of payments for structural measures and pursue an efficient and effective implementation of the 2007-2013 programmes.

---

<sup>1</sup> Doc. EUCO 25/1/10 REV 1 CO EUR 18 CONCL 4 of 30 November 2010, p. 2.

The Council notes with great concern the volume of outstanding commitments<sup>1</sup>, which can have an impact on future payments, and considers that the relation between the level of commitment and payment appropriations must be carefully weighed against the absorption capacity. The level of commitment appropriations should be compatible with the evolution of the volume of outstanding commitments with the aim of keeping them under strict control. The Council calls on all actors involved to continue to do their utmost to avoid overestimation in order to limit undue pressure on national budgets.

### *Specific issues*

#### *Realistic budget estimates*

The Council urges the Commission and Member States to pursue their efforts to deliver better forecasts, while acknowledging the progress achieved so far. In this respect, the Council asks the Commission to deliver, together with its draft budget, the underlying assumptions on which the figures for each heading and sub-heading are based. In this context, the Council points out that the Commission remains responsible for ensuring that the appropriations introduced in the draft budget reflect genuine needs and implementation capacity.

The Council acknowledges the progress made by the Commission in the establishment of the preliminary draft budget estimates and exhorts it to pursue its efforts to reduce to the minimum the recurring significant difference between the preliminary draft budget and the outturn, as illustrated in the Annex. An accurate draft budget, 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 unjustified carry-overs, and to allow Member States to precisely anticipate the level of their contribution to the Union's budget. This would also limit the recourse to corrective budgetary tools such as amending budgets to the strict minimum.

---

<sup>1</sup> Outstanding commitments (RAL) amounted to EUR 194 billion at the end of 2010.

As far as revenue is concerned, the Council strongly believes that increasing transparency concerning assigned revenue is part of a sound financial management of Union funds. It calls on all the institutions, agencies and other bodies to continue to provide all the requested information on a regular basis and in time for the draft budget for 2012.

#### *Comprehensive budgetary documents*

The Council recalls the importance of the structure and content of the various documents accompanying the draft budget, which should be as transparent, simple and concise as possible. This would reinforce the usefulness of these documents for the purposes of budgetary decision-making. Particular attention should be given to the information on the evolution of the volume of outstanding commitments and on payment profiles.

The Council acknowledges the usefulness of the Commission's "Budget Forecast Alert" system, which should allow adjustments to the level of appropriations in a more realistic and rigorous way at the various stages of the budgetary procedure.

As far as the "Activity Based Budgeting" is concerned, the Council 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. Activity statements should notably focus more on performance information, 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.

#### *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 limited resources given the rigorous fiscal consolidation Member States are undertaking. 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 of resources and reprioritisation.

The Council expects all 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 paid to the comprehensiveness and comparability over time and between institutions of information provided.

The Council is concerned about the evolution in appropriations for pensions and their impact on administrative expenditure in the future.

### *Agencies*

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, leading to unjustified carry-overs. It expects the Commission to continue providing a comprehensive picture concerning agencies, including their building policy, in due time for the draft budget for 2012.

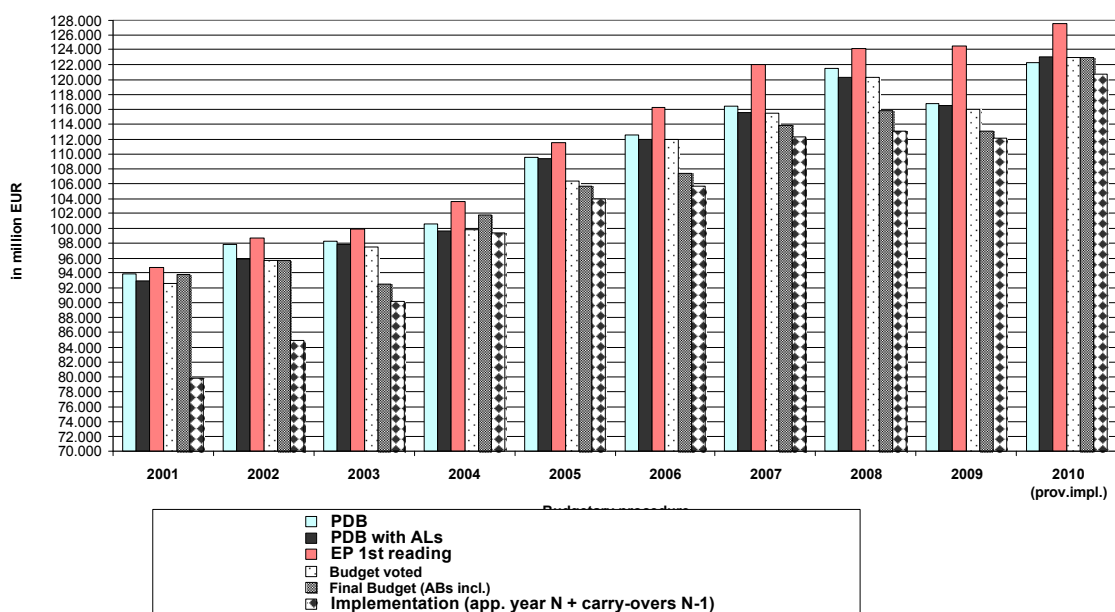
The Council strongly urges the Commission to continue to take into account the agencies' unused appropriations when establishing the draft budget, with the aim of bringing down the agencies' annual surpluses. It urges the Commission also to carefully check, and if necessary revise, the requirements of 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.

### ***Conclusion***

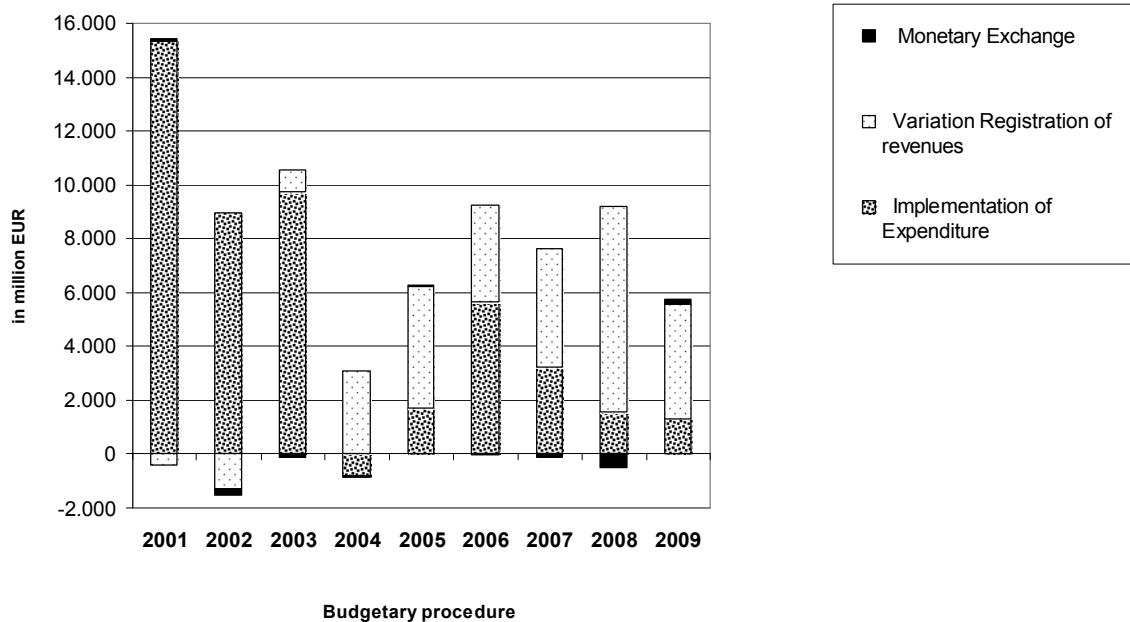
The Council recalls that the annual budgetary procedure is one of the most significant tools to guarantee the accountability of the Union towards its citizens. It is fully aware that an accurate and accountable use of the Union resources is one of the essential means to reinforce the trust of the European citizens. Therefore, it attaches the greatest importance to these guidelines and expects them to be fully taken into account already in the draft budget for 2012.

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

### Evolution of payment appropriations (2001-2010)



### Detail Outturn 2001-2009 (ABs incl.)



**EVOLUTION OF PAYMENT APPROPRIATIONS (2001-2010)**

(EUR million)

Budgetary procedure	(P)DB	(P)DB (LAs included)	Budget voted	Final budget (ABs included)	Implementation <sup>1</sup>	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	120 649 <sup>2</sup>	2 307	1,88%	98,04%
<b>Total<sup>3</sup></b>	<b>1 089 657</b>	<b>1 083 168</b>	<b>1 078 598</b>	<b>1 062 438</b>	<b>1 022 120</b>	<b>40 318</b>	<b>3,79%</b>	<b>94,36%</b>

<sup>1</sup> Implementation = appropriations year *n* + carry-over *n* - 1

<sup>2</sup> 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.

<sup>3</sup> All absolute figures in nominal prices.



**EVOLUTION OF OUTTURN<sup>1</sup> (2001-2009) (ABs included)**

(EUR million)

<b>Budgetary procedure</b>	<b>Implementation of expenditures</b>	<b>Variation Registration of revenue</b>	<b>Monetary exchange</b>	<b>Outturn total</b>
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

<sup>1</sup> 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.