2008 budget: section III, Commission

2007/2019(BUD) - 10/09/2007 - Council draft budget

The Council established the draft budget for 2008. It used the preliminary draft budget of the European Communities for 2008, submitted by the Commission, as the basis for establishing the draft budget.

In keeping with the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and budgetary management, a conciliation meeting between the Council and a delegation from the European Parliament, with the participation of the Commission, was held on 13 July 2007, prior to the discussions in the Council.

As a result of the Council's discussions, the aggregate expenditure of the draft budget amounts to :

- **Appropriations for commitments: EUR 128 401.21 million** (including non-compulsory expenditure of EUR 84 909.92 million);
- **Appropriations for payments: EUR 119 410.25 million** (including non-compulsory expenditure of EUR 75 914.73 million).

Under the draft budget for 2008 established by the Council, commitment appropriations increase by 1.44% compared to the 2007 budget and payment appropriations by 3.39%. The rate of increase in non-compulsory expenditure (NCE) for the draft budget for 2008 is 3.58% in commitments and 6.91% in payments. The total payment appropriations provided for in the draft budget for 2008 correspond to **0.95% of Community GNI**.

In establishing the draft budget for 2008, the Council followed a number of guidelines:

A. Generally

- the draft budget for 2008, resulting from the first reading in the Council: i) shows due regard to the Interinstitutional Agreement of 17 May 2007; ii) takes into account the Council's conclusions on the budget guidelines for 2008;
- particular care was taken to: i) apply budgetary discipline to all parts of the budget; ii) provide adequate funding for the European Union's various priorities, taking into account absorption capacities and past implementation rate; iii) ensure controlled growth of payment appropriations in comparison with 2007, taking into account absorption capacities and past implementation rate; iv) leave adequate margins below the ceilings for the Headings of the Financial Framework, except for sub-Heading 1b, in order to cope with unforeseen situations.

The establishment of the draft budget for 2008 was, moreover, guided by the following principles:

- applying the key principle of assessing the well-defined and real needs to be financed in 2008 based on the detailed analysis of the needs in all policy areas, in particular by an in-depth analysis of a set of activity statements;
- approach regarding administrative expenditure based on both horizontal criteria, such as efficiency gains, and on each institution's own specificities, in particular in terms of the granting of new posts for enlargement;
- ensuring limited and controlled growth of appropriations for decentralised agencies by applying different uniform criteria linked to their state of development:
- "settled agencies": increase in comparison with the 2007 budget limited to 2% and acceptance of 25% of the new posts requested;
-

"growing agencies": 50% of the increase requested in comparison with the 2007 budget and acceptance of 50% of the new posts requested;
- "new agencies": 75% of the increase requested in comparison with the 2007 budget and acceptance of 75% of the new posts requested;
- examination in the autumn, as provided for in the Interinstitutional Agreement, of a Letter of Amendment concerning agricultural expenditure and International Fisheries Agreements, in order to take account of the updated estimates of requirements, without ruling out a limited reduction in appropriations in these fields.

Other issues were covered in a general manner: the Council retained the Preparatory Actions and Pilot Projects proposed by the Commission; a set of activity statements covering a large range of political areas was specifically examined in depth by delegations in close contact with the Commission representatives. It was noted that globally the quality of the activity statements was improved and that their relevance for the budgetary procedure was enhanced. In general, each activity statement provided a clear picture of the justification of the activity and of its added value, sufficient to allow their use as a budgetary decision making tool.

B. Expenditure by heading of the financial framework: as regards expenditure under the different Headings of the Financial Framework the Council decided to:

Heading 1: Sustainable growth

1.a) competitiveness for growth and employment expenditure: the amount for this heading is set at **EUR 9.504 billion** which represents a decrease of EUR 266.4 million compared to the Commission's PDB. This heading is characterised by the following elements:

- to limit the increase of commitment appropriations requested in the PDB by an across-the-board reduction of EUR 250 million on all budget lines of this sub-Heading (except budget lines related to Preparatory Actions, Pilot Projects, the Accession Treaty, in particular decommissioning of nuclear installations, and Agencies, budget lines below EUR 1 million and some specific lines, in particular relating to Galileo, EIT and the International Fund for Ireland) in order to take into account the trend of the implementation of the new programmes;
- to transfer the commitment appropriations for Galileo into the reserve, pending a decision on this issue;
- to limit the increase in appropriations in comparison to 2007 for subsidies for decentralised agencies (-EUR 16.42 million) and to accept a total of 126 new temporary posts as follows: European Medicines Agency: 17 temporary posts; Chemicals Legislation and European Chemicals Agency: 90 temporary posts; Gender Equality Institute: 4 temporary posts; European Foundation for the Improvement of Living and Working Conditions: 2 temporary posts; European Agency for Safety and Health at Work: 1 temporary post; European Maritime Safety Agency: 6 temporary posts; European Railway Agency for Safety and Interoperability: 3 temporary posts; Galileo Supervisory Authority: 2 temporary posts; European Centre for the Development of Vocational Training: 1 temporary post;
- to set the level of payment appropriations by reducing the amounts requested in the PDB by a similar across-the board reduction as for the commitment appropriations on the relevant budget lines by a total amount of EUR 532 million.

Therefore, the global level of appropriations under sub-Heading 1a remains very important with an increase of 7.2% in commitments and 27.2% in payments in comparison to the 2007

budget, the increase retained for Research being highly significant with an increase of 7.7% in commitments and 45.5% in payments.

In parallel, the Council asks the Commission to submit an amending budget if the appropriations entered in the 2008 budget are insufficient.

The margin available under sub-Heading 1a would be EUR 342.99 million.

1.b) Cohesion for growth and employment expenditure: the Council accepts the PDB as regards commitment appropriations (**EUR 46.878 billion**). It also set the level of payment appropriations by reducing the amounts requested in the PDB by a total amount of EUR 498 million on the budget lines related to the completion of the 2000-2006 programmes (-EUR 298.8 million) and the 2007-2013 programmes (-EUR 199.2 million), taking into account the

current trend of completion or implementation of these programmes. Therefore, by doing that, the global level of payment appropriations remains very significant with an increase of 6.2 in comparison with the 2007 budget. The Council asks the Commission to submit an amending budget if the appropriations entered in the 2008 budget are insufficient.

The margin available under sub-Heading 1b would be EUR 11.06 million.

Heading 2: Expenditure for preservation and management of natural resources: the amount under this heading is set at **EUR 55.723 billion**, that is EUR 553 million less than the PDB. The Council aims:

- to retain a specific reduction in commitment and payment appropriations requested in the PDB by a total amount of EUR 200 million on the budget line related to clearance of accounts;
- to retain a limited reduction in commitment and payment appropriations requested in the PDB by an amount of EUR 350 million by an across-the-board reduction on all budget lines of Chapter 05 02 (Interventions in agricultural markets) except budget lines related to food programmes, free distribution of fruit and vegetables and school milk. These reductions are globally close to the figures resulting from the final past implementation. They are in line with the overall approach of ensuring a controlled growth in payment appropriations , in which it is proposed to include compulsory expenditure (Heading 2) and non-compulsory expenditure (sub-Headings 1a and 1b);
- to limit the increase in appropriations in comparison to 2007 for subsidies for decentralised agencies (-EUR 3.15 million in commitments and payments) and to accept a total of 8 new temporary posts as follows: European Environment Agency: 2 temporary posts; Community Fisheries Control Agency: 6 temporary posts.

The margin available under Heading 2 would be EUR 3 077.32 million.

Heading 3: Citizenship, freedom, security and justice: this heading amounts to **EUR 1.27 billion** in commitments (EUR 19 million less than the 2008 PDB) which is split into 2 headings:

3.a) Freedom, security and justice: the Council proposes to:

- to limit the increase in commitment appropriations requested in the PDB for the Prince programme by a reduction of EUR 1 million;
- to limit the increase in appropriations in comparison to 2007 for subsidies for decentralised agencies (-EUR 3.30 million) and to accept a total of 24 new temporary posts as follows: European Agency for the Management of Operational Cooperation at the External Border (Frontex): 15 temporary posts; European Union Agency for Fundamental Rights: 2 temporary posts; Eurojust: 7 temporary posts);
- to set the level of payment appropriations by reducing slightly the amounts requested in the PDB on the relevant budget lines by a total amount of EUR 15 million, in line with absorption capacities and past implementation rate.

The margin available under sub-Heading 3a would be EUR 60.27 million.

3.b) Citizenship: under this heading, the Council has provided:

- to retain a reduction in commitment appropriations requested in the PDB under Chapter 16 02 (Communication and the media) and Chapter 16 03 ("Going local" communication) by a total amount of EUR 5 million;
- to limit the increase in appropriations in comparison to 2007 for subsidies for decentralised agencies (-EUR 9.55 million) and to accept a total of 38 new temporary posts as follows: European Centre For Disease Prevention and Control: 20 temporary posts; European Food Safety Authority: 18 temporary posts;
- to set the level of payment appropriations by reducing slightly the amounts requested in the PDB on the relevant budget lines by a total amount of EUR 35 million, in line with absorption capacities and past implementation rate.

The margin available under sub-Heading 3b would be EUR 31.06 million.

Heading 4: expenditure relating to the EU as a global partner: the Council foresees an overall amount of **EUR 7.129 billion** in commitments (an increase of EUR 217 million compared to the 2008 PDB). It decided:

- to retain an increase in commitment appropriations requested in the PDB by a total amount of EUR 260 million regarding Palestine (+EUR 80 million) and Kosovo (+EUR 180 million), bearing in mind their political importance. These amounts are entered in the reserve;
- to accept as a minimum precaution the CFSP budget as proposed in the Preliminary Draft Budget which is fully in line with the amount foreseen in the IIA of 17 May 2006. However, depending on the evolution of the international situation, the amount retained at this stage for the CFSP budget might not well be sufficient;
- to transfer into the reserve part of the commitment appropriations regarding international agreements and membership of international in the field of public health and tobacco control, pending a decision on this issue;
- to retain specific reductions in commitment appropriations requested in the PDB taking into account absorption capacities and past implementation rate, geographical programmes being excluded: by a total amount of EUR 18.50 million regarding the Instruments for pre-accession of which IPARD (-EUR 8.50 million) and IPA (-EUR 10 million); - by a total amount of EUR 10.50 million regarding the evaluation of results (-EUR 6 million), the coordination and promotion of awareness (-EUR 1.50 million) and the Prince programme (-EUR 3 million); by an amount of EUR 13.40 million regarding the regional and horizontal programmes;
- to set the level of payment appropriations by reducing the amounts requested in the PDB on the relevant budget lines by an amount of EUR 125 million in line with absorption capacities and past implementation rate and by an amount of EUR 239.22 million regarding the Emergency Aid Reserve.

The margin available under Heading 4 would be EUR 112.20 million.

Heading 5: Administration: the draft budget intends to set an appropriate level for the administrative budget of each institution taking into account their own specificities and their

real and justified needs. The Council also decided to accept new posts requested in relation to the 2004 and 2007 enlargement. In this context, the Council reiterated its willingness to monitor closely the ongoing recruitment process. In this context, a joint statement on recruitment in relation with the 2004 and

2007 enlargement was also agreed. It agreed to accept only a few new posts requested by the institutions for new tasks on the basis of justified needs and to accept conversions, transformations and upgradings related to career development under the Staff Regulations.

Regarding executive agencies, the Council underlined that their setting-up or their extension should really entail savings and should not contribute to an overall increase of the Commission's administration. In this context, a reduction of EUR 2.98 million is proposed in 2008 corresponding to the salaries of 37 freed temporary posts in relation to executive agencies that should have been frozen instead of being redeployed. This proposal is based on the principle that all posts that are or will be freed within the Commission as a result of tasks transferred to an executive agency should not constitute an additional administrative burden. This means that in addition to the freezing of all Commission posts transferred to the executive agency, all freed posts should be frozen and not give rise to a double financing.

As regards the creation and extension of executive agencies a joint statement on executive agencies was also agreed. The Council made also a thorough examination of the issue related to assigned revenues. It considers that it is important to improve the transparency and the sound financial management in this field, in particular in decentralised agencies.

The margin available under Heading 5 would be EUR 266.76 million.

Heading 6: Compensation: the Council has decided to accept the PDB for this heading (**EUR 206.636 million**) and set the margin available under this Heading at EUR 0.35 million.

Heading 7: revenue: the Council decided to accept the PDB subject to the technical adjustments arising from the changes made to expenditure and staff in the draft budget for 2008.