2008 budget: section III, Commission

2007/2019(BUD) - 02/05/2007

PURPOSE: to present the preliminary draft general budget (PDB) of the European Communities for the financial year 2008 (Section III: Commission).

CONTENT: the Preliminary Draft Budget for 2008 is the second for a European Union of 27 Member States. In 2007 the EU welcomed Bulgaria and Romania, and at the same time embarked on the new multiannual financial framework, which will cover the period up to 2013. Many of the new programmes for this period have now been adopted, so 2008 will be an important year for consolidation and implementation.

Achieving and maintaining **sustainable growth** by increasing **competitiveness** and striving for greater cohesion is at the top of the EU agenda, and for the first time it will benefit from the largest share of the PDB. Spending on growth and employment policies increases by +4.2% compared to 2007, to reach 44.2% of the budget, against 43.6% for the protection and management of natural resources, including the Common Agricultural policy.

Commitment appropriations in the PDB are at the level of 1.03% of EU Gross National Income (GNI), and payment appropriations at 0.97% of GNI.

The total Preliminary Draft Budget (PDB) for 2008 amounts to EUR 129.2 billion in commitment appropriations. This represents 1.03 % of Community GNI, and is an increase of 2.0 % on the 2007 budget. A margin of EUR 3.1 billion remains available under the ceiling of the financial framework. **Payment appropriations are proposed at EUR 121.6 billion**, or 0.97 % of GNI. This represents an increase of 5.3 % on 2007.

The focus remains on delivering the Commission’s strategic objectives of prosperity, solidarity, security, and their external projection. These objectives underpin the Annual Policy Strategy for 2008. Nevertheless, as stated in the APS 2008, the Commission has to be alert and ready to provide a dynamic response to new challenges, such as tackling climate change.

Therefore, the adoption of the Energy and Climate Change Package in 2007 must be followed up by concrete action in 2008. Resources will be channelled through various policy areas, to promote sustainable transport and energy, to strengthen environmental policy, and to support developing countries in tackling climate change and pursuing renewable energy.

The renewed Lisbon Strategy remains at the core of EU policy development as well as preserving and managing natural resources in a sustainable and responsible manner.

In addition, to fully achieve a European area of freedom, security and justice, freedom of movement, accompanied by effective management of the EU’s external borders must remain core objectives. Following the start-up phase in 2007, the new actions under the programmes ‘Solidarity and Management of Migration’, ‘Fundamental Rights and Justice’, and ‘Security and Safeguarding Liberties’, will see their resources increase for their first full twelve-month period of implementation.

Lastly, beyond its extended borders, the EU must continue to promote security and prosperity in its neighbourhood, including candidate and potential candidate countries, to support sustainable development at international level, and to promote global political governance and strategic and civilian security.

EXPENDITURE ANALYSIS BY HEADING: the presentation is structured according to that of the financial framework 2007-2013:

Heading 1: ***Sustainable growth****:*

- **1a: Competitiveness for Growth and Employment**: commitments for this heading increase by 9.6 % to EUR 10.3 billion, leaving a margin of EUR 76.6 million. Payments also increase by 35.4 % to EUR 9.5 billion. In particular, research expenditure will increase by some 11%, investments in trans-European energy and transport networks by 14%, and lifelong learning programmes by 9% (with 63.5% increase for Erasmus Mundus);
- **1b Cohesion for Growth and Employment**: for this heading commitments are set at EUR 46.9 billion, which is an increase of 3.1 % on 2007. Payments also rise, by 7.5 %, to EUR 40.6 billion. The new programmes to support cohesion across Europe will kick-in, boosting expenditure in this field by almost EUR 1.4 billion, or 3.1%, of which Cohesion Fund devoted to big infrastructural projects will increase by more then 14% in 2008.

In the context of this heading, the Commission proposes that **EUR 57.2 billion** will be spent on policies related to growth and employment, i.e. 2.3 billion more (+4.2%) than in 2007. It should be noted that the margin for heading 1 (sub-heading 1a) does not take into account the appropriations related to the European Globalisation Adjustment Fund (EUR 500 million/year).

Heading 2: ***Preservation and Management of Natural Resources***: commitment appropriations of **EUR 56.3 billion** are proposed for this heading. This is close to the figure for 2007, and leaves a margin of EUR 2.5 billion under the ceiling. Meanwhile, payments slightly rise by 0.1 % to EUR 54.8 billion. Within this heading there is an amount foreseen for market related agricultural expenditure and direct aids. In PDB 2008, this amounts to EUR 42.5 billion in commitments, and EUR 42.8 billion in payments. The PDB is based on the April 2007 forecast of GNI. A new forecast will be issued on 16 May 2007. This stability should not mask the gradual shifts taking place within this policy area: market related expenditure and direct aid to farmers decrease by only 0.5% to EUR 42.5 billion, whilst rural development programmes continue to grow to reach more than EUR 12.5 billion, a 1.6% increase. Expenditure in the EU's main environmental protection programme, Life+, increases by 11% to reach EUR 267 million.

Heading 3: ***Citizenship, Freedom, Security and Justice:***

- **3a Freedom, Security and Justice**: expenditure increases by a strong 10.8%, to reach **EUR 691 million** and maintaining a margin of EUR 55.9 million. The most significant increase concerns the management of migration flows, at 24%, reaching more than EUR 390 million. Payments also increase by 4.8 % to EUR 496.4 million;
- **3b Citizenship**: commitment appropriations decrease by 7.6 % to **EUR 598.5 million**, leaving a margin of EUR 16.5 million. Payments for this sub-heading decrease by 4.6 % to EUR 694.4 million. The apparent reduction in appropriations for this heading must be seen in the context of the inclusion in the 2007 budget of EUR 24.4 million for the Solidarity Fund, and EUR 87 million for the completion of transition measures in Bulgaria and Romania. If these two elements are excluded, commitment and payment appropriations increase by 11.6 % and by 4.6 % respectively. In particular, the public and health and consumer protection programme increases by 15%, the Europe for citizens programme by 18% and the Media programme by almost 21%.

Heading 4: ***the EU as a Global Partner*** sees an increase in commitments of 1.5 % to **EUR 6.9 billion**, with a margin of EUR 330 million available under the ceiling. Payment appropriations also increase by 7.7 % to EUR 7.9 billion. The funding of the Common and Foreign Security Policy exceeds the EUR 200 million threshold, an increase of 26%, whilst development cooperation continues to represent the biggest budgetary item at EUR 2.2 billion, a 1.9% increase.

Heading 5: ***Administration***: total expenditure for administration is set at **EUR 7.3 billion** in 2008 for all Institutions, leaving a margin of EUR 121.3 million, similar to the one in 2007. Administrative costs for the Commission are set to increase less than the rest of the budget, at 4.1%, including new posts necessary for recent enlargements.

Heading 6: ***Compensation***: this heading covers the Cash-Flow and Schengen Facilities, agreed during the accession negotiations with Bulgaria and Romania These are intended, respectively, to help improve cash-flow in the national budgets; and as a temporary instrument to finance control actions at the new external borders of the Union. The amount to be budgeted in 2008 is **EUR 206.6 million**.