

2011 general budget: all sections, second version

2010/2290(BUD) - 26/11/2010 - Commission draft budget

PURPOSE: presentation of a **new draft budget** of the European Union for the financial year 2011.

CONTENT: this document constitutes the second version of the draft budget for 2011, following the failure to reach an agreement at conciliation.

Background: the 2011 draft budget is the first to be negotiated under the new arrangements put in place by the Lisbon Treaty.

- The Commission transmitted the draft budget for 2011 in all the official languages on 15 June 2010.
- The Council completed its reading of the draft budget on 12 August, while the European Parliament voted its reading on 20 October.
- As the European Parliament adopted amendments to the draft budget which could not be accepted by the Council, a **Conciliation Committee was convened**, in accordance with Article 314 §4(c) of the Treaty on the Functioning of the European Union (TFEU).

The Conciliation Committee worked over a period of twenty-one days, between 26 October and 15 November and came very close to an agreement on the elements of the draft budget for 2011. However, it was finally not possible to reconcile the positions of the European Parliament and Council within the time period allowed, and so, in accordance with Article 314 §8 of the TFEU, **a new draft budget was submitted by the Commission.**

New version of the budget heading by heading: the Commission presents this new proposal for a draft budget for 2011, in line with the positions as expressed by both Council and European Parliament in conciliation.

In terms of commitment appropriations, the total expenditure proposed in the 2011 draft budget is EUR 141 818.3 million, corresponding to 1.13 % of GNI, that is EUR 332.0 million more than in 2010. This leaves a combined margin of EUR 1 984.1 million under the ceilings.

Payment appropriations are set at the level retained by Council in August, i.e. EUR 126 527.1 million, corresponding to 1.01 % of GNI. This is an increase of EUR 3 571.2 million compared to payment appropriations in the 2010 budget, and leaves a margin of EUR 7 934.9 million under the ceiling. Parliament expressed its understanding for Council's position given the budgetary constraints that Member States currently face. The Commission repeats its firm belief that **this level of payments can only be agreed to, if it is accompanied by the commitment of the budgetary authority to act promptly on requests for additional payment appropriations through amending budgets or transfers**, in order to avoid any shortfall in payment appropriations.

Heading by heading budget analysis:

- **Heading 1a: Competitiveness for Growth and Employment:** commitment appropriations for heading 1a are proposed at EUR 13 520.6 million, which is a decrease of 9.0 % compared to the 2010 budget. As these amounts exceed the ceiling of heading 1a, the Commission proposes simultaneously to mobilise the Flexibility Instrument by EUR 34 million. Payment appropriations increase by 2.7 % to EUR 11 645.8 million. The apparent reduction in commitment appropriations for this heading must be seen in the context of the inclusion in the 2010 budget of the second tranche of additional appropriations for the funding of energy projects to aid economic recovery.

Once this element is excluded, commitment and payment appropriations increase by 5.0 % and 3.0 % respectively.

- **Heading 1b: Cohesion for Growth and Employment:** commitment appropriations increase by 3.2 % to EUR 50 980.6 million, leaving a margin of EUR 6.4 million. Payment appropriations increase by 14.6 %, to EUR 41 682.5 million. The substantial increase in the level of payments reflects the cruising speed reached by the Cohesion policy programmes related to the 2007 – 2013 programming period, thus contributing to economic recovery in Europe.
- **Heading 2: Preservation and Management of Natural resources:** commitment appropriations of EUR 58 659.2 million are proposed for this heading, which is a decrease of 1.4 % compared to the 2010 budget and leaves a margin of EUR 1 680.3 million under the ceiling. Payment appropriations decrease by 3.0 % to amount to EUR 56 409.3 million. Within this heading the amount foreseen for market related expenditure and direct aids reaches EUR 42 891.2 million in commitment appropriations, and EUR 42 786.6 million in payment appropriations.
- **Heading 3a: Freedom, Security and Justice:** this heading sees an important increase in commitment appropriations of 13.2 %, rising to EUR 1 139.0 million, leaving a margin of EUR 67.0 million. Payment appropriations also increase significantly, by 10.2 % to EUR 814.3 million.
- **Heading 3b: Citizenship:** commitment appropriations amount to EUR 682.9 million, leaving nearly no margin (EUR 0.1 million). Payment appropriations for this heading decrease by 3.9 % to EUR 646.0 million. The decrease is due to the mobilisation of the Solidarity Fund in 2010 (EUR 13.0 million), that has been added to the original budget in the course of the year.
- **Heading 4: the EU as a Global Player** sees an increase in commitment appropriations of 7.5 % to EUR 8 754.3 million, exceeding the ceiling on heading 4. The Commission proposes simultaneously to mobilise the Flexibility Instrument by EUR 71 million. Payment appropriations decrease by 6.9 % to EUR 7 249.0 million. The total amount of payment appropriations is lower compared to 2010, since outstanding commitments (the so-called 'RAL', *reste à liquider*) on many 'completion' lines for previous programmes that are being closed have diminished substantially.
- **Heading 5: Administration:** commitment and payment appropriations for Administrative expenditure increase by overall 2.2 %, with commitments set at EUR 8 081.7 million and payments at EUR 8 080.4 million. This leaves a margin of EUR 334.3 million.

Non-agreement at conciliation: the changes now proposed reflect the discussions which have already taken place between the two arms of the Budgetary Authority. These discussions have led to an important degree of convergence, and these elements of compromise are retained in the Commission's new proposal, with a view to facilitating a swift agreement on Budget 2011. The consequences of non-agreement on the budget would be detrimental to the implementation of key policies and programmes, and would send a **damaging message to the citizens of Europe at a time of economic uncertainty**. The credibility of EU at international level would also be hindered. It is with this imperative in mind that the Commission is seeking to reconcile the positions of the two arms of the Budgetary Authority in this proposal for a new draft budget.

Main changes proposed:

Payment appropriations: a major adaptation is that of the level of payment appropriations. In the original 2011 draft budget, the Commission proposed an increase of 5.8 % for payments, compared to the 2010 budget on the basis of an evaluation of the payment needs for programmes. Since then the economic difficulties facing Europe have become more apparent, and a general consensus has developed across the Member States on the need to apply austerity measures. Therefore, this new draft budget proposes an overall level of payment appropriations of **EUR 126.5 billion**, as proposed by the Council. There were converging views during the conciliation that this amount could be an essential element of a possible overall agreement.

After taking into account the consequences of the adjustments proposed for non differentiated appropriations and for specific payment reinforcements, the **overall reduction in payment**

appropriations, as compared to the Commission's draft budget including amending letters, has been broken down between the various headings as follows:

- One third on heading 1b,
- One third on heading 2,
- One third on headings 1a, 3a and 4,
- No impact on heading 3b.

Expenditure heading changes:

- **Heading 1a:** the Commission proposes to increase the level of commitment appropriations for a number of actions (see table), while maintaining the same level as proposed in the original draft budget for most others. The increases reflect the European Parliament priorities in relation to Youth, SMEs and research. This creates a situation where the level of commitment appropriations exceeds the ceiling of the multi-annual financial framework, and so **the Commission proposes to mobilise the Flexibility Instrument for an amount of EUR 34 million for heading 1a.**
- **Heading 1b:** the level of commitment appropriations remains unchanged compared to the original draft budget, with one exception: a new budget article 13 03 31 "Technical assistance and dissemination of information on the EU strategy for the Baltic Sea Region and an improved knowledge of macro-regions strategy", which is created for an amount of EUR 2.5 million in commitment (with no payments). Payment appropriations have been adapted so that the limit of EUR 126.5 billion for the total draft budget.
- **Heading 2:** the new proposal integrates some priorities of the European Parliament such as reinforcements for School milk, Life+, the Community Fisheries Control Agency and Animal Health, and partially includes the Council's position on the Clearance of accounts. These adjustments are set out in the table below. For non-differentiated appropriations, payments are set at the same level as commitments. This draft budget includes also EUR 540 million of assigned revenue for EAGF carried over from 2010 to 2011. This amount is higher than the amount of EUR 210 million which was foreseen in the amending letter 3/2011 to the original 2011 draft budget because a reduced use of assigned revenue generated in 2010 in the execution of the budget 2010.
- **Heading 3a:** the Commission's proposal remains largely unchanged (decreased budget for Frontex).
- **Heading 3b:** commitment appropriations are set at the level proposed in the original draft budget, with some increases, reflecting the European Parliament's priorities with regard to Youth and communication.
- **Heading 4:** the most significant change relates to **Palestine** for which an additional amount of **EUR 100 million** is proposed. These adjustments lead to a situation where the level of commitment appropriations exceeds the ceiling of the multi-annual financial framework, and so **the Commission proposes to mobilise the Flexibility Instrument for an amount of EUR 71 million for heading 4 to cover additional needs for Palestine.** Payment appropriations for Palestine are also increased by EUR 100 million while for the other lines for which commitments are increased, payments are maintained at the level of the original draft budget. The Commission also proposes to limit the payments for the Emergency Aid Reserve (EAR) to EUR 100 million, in line with the emerging compromise in the Conciliation Committee. Cooperation with Asian and Latin America is also strengthened.
- **Heading 5:** the proposed new draft budget excludes the appropriations related to the outstanding 2009 salary adjustment (1.85 %) for all institutions, pending the adoption of the new Council decision following the judgment of the Court of Justice on 24 November 2010 in favour of the Commission. A draft amending budget will be presented in 2011. In the meantime, a sufficient margin shall be left unused under the ceiling of heading 5. For the Commission, the new draft budget is based on the position following amending letter 1/2011 (European External Action Service), where, in the spirit of compromise, the appropriations are set at the lower level jointly agreed by both arms of the Budgetary Authority in their respective readings. For the institutions other than the Commission, after taking into account the salary-related corrections, the new draft

budget reflects the reading of the European Parliament, except for the Council, where it is the Council's own position that is followed following amending letter 1/2011 (European External Action Service). Regarding the institutions other than the European Parliament, the Council and the Commission, the additional posts compared to 2010 are as follows: Court of Justice of the European Union (+29), European Economic and Social Committee (+11), Committee of the Regions (+18), European Ombudsman (+1), and European Data Protection Supervisor (+2).