

2012 budget: general guidelines for the preparation

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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.

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.

(1) 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;

(2) 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.

Key elements of the budget for 2012: the Council underlines the importance of maintaining an overall budgetary discipline. 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. It 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 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.

The Council notes with great concern the volume of **outstanding commitments** (EUR 194 billion at the end of 2009), 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: the Council also focuses on the following:

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 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. It acknowledges the usefulness of the Commission's "Budget Forecast Alert" system and asks for activity statements to 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. The budgetary decision-making process would be facilitated.

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. It 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. It expects all institutions to provide in advance all the necessary information for a clear, comprehensive, and consolidated picture of all administrative expenditure. 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. It 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.

In 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. 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.