

# 2013 general budget: all sections

2012/2092(BUD) - 25/05/2012 - Commission draft budget

**PURPOSE:** to present the draft Commission budget for the financial year 2013 (all budget sections).

**CONTENT:** the Commission adopted the draft EU budget for 2013. It will be the **last annual budget of the present Multiannual Financial Framework 2007-2013**. Aware of the current economic situation, the Commission presents a budget fully geared to use its funding potential for growth and jobs in line with the Europe 2020 strategy.

Investment is a crucial component of spurring this growth. The EU budget, with its high investment focus, has an important role to play as a **leverage tool to Member States' recovery policies**, which will benefit economic activity across the Union.

In preparing its Draft Budget, the Commission has followed a **rigorous approach** in which:

- **an overall increase in the level of commitment appropriations that is restricted** to inflation correction (+ 2.0%) is combined with;
- **a targeted significant increase in the level of payment appropriations** (+ 6.8%).

This approach contributes directly to growth and jobs in Europe, and which on the other hand is necessary to allow the EU budget to meet its contractual obligations of current and previous years.

In terms of **commitment appropriations**, the total expenditure proposed in the draft budget (DB) 2013 is EUR 150 931.7 million, corresponding to 1.13% of GNI, that is EUR 3 031.5 million more than in 2012 (+ 2.0%). The restriction of the increase in the overall level of commitment appropriations to inflation correction (+ 2.0 %) leaves a combined total margin of EUR 2 420.4 million under the various ceilings of the MFF.

For **payment appropriations**, the total amounts to EUR 137 924.4 million, corresponding to 1.04% of GNI. This is an increase of EUR 8 818.3 million compared to payment appropriations in the 2012 budget (+ 6.8%), and leaves a margin of EUR 6 182.6 million under the ceiling of the MFF.

The main priorities have been established for the 2013 Draft Budget: in 2013. The EU will pursue its support to **investment and to actions in favour of job-friendly growth**. This key political priority is reflected in the level of commitment appropriations requested in the Draft Budget. Competitiveness for growth and employment, with EUR 16 billion in commitment appropriations, and Cohesion for growth and employment, with EUR 54.5 billion in commitment appropriations, support the EU economy by shaping the conditions for sustainable growth and growth-friendly consolidation, both immediately and in the longer term.

At the present final stage of the current financial framework, the Draft Budget for 2013 is established on the basis of a **two-fold approach**:

1. appropriations for programmes and initiatives enhancing **Growth and Jobs** are maximised within the existing framework. Programmes supporting growth and job creation fall mainly under heading 1a "Competitiveness for growth and employment" and heading 1b "Cohesion for growth and employment". Overall, the proposed **commitment appropriations directly linked to the objectives of the Europe 2020 strategy in 2013 increase by 2.7% to EUR 64.5 billion**. In particular, key programmes in support of Growth and Investments, SMEs, Employment and Youth

which have proved their efficiency, as well the possible reprogramming of structural funds in eight Member States as announced in the European Council of January 2012, are expected to streamline funding to investments in the most critical areas and reinforce the efforts undertaken to address youth unemployment and support SMEs. These efforts are further complemented by new initiatives, mainly the proposed pilot phase for **project bonds in the fields of transport, energy and ICT**, as well as the proposed new risk-sharing instrument under the Structural Funds which aims at addressing liquidity problems faced by financial institutions, with a view to facilitating investment and growth;

2. the allocation of appropriations is guided by the application of efficiency savings and reductions of administrative expenditure. The Commission's draft budget request for 2013 incorporates a 1% reduction in human resources, in accordance with the Communication "Budget for Europe 2020" which proposes a 5% staff reduction for all institutions over five years.

### **Other characteristics of the 2013 budget:**

1. **a responsible and realistic budget:** in the final year of the current financial framework, the required level of payment appropriations is largely determined by the project cycle. Consequently, the 2013 Draft Budget foresees **significant increases – compared to 2012 – in payment appropriations for key policy areas geared towards investment**, where programmes are now being implemented at full speed. In particular, increased payment levels for the Research Framework Programmes (+ 28.1% to EUR 9 billion) and for the Structural and Cohesion Funds (+ 11.7% to EUR 49 billion);
2. **increased payment appropriations:** the proposed increase in the overall level of payment appropriations (+ **6.8%**) results from a thorough and rigorous analysis of needs in all policy areas. The proposed level of expenditure is a necessary consequence of the Union's contractual obligation to honour the growing level of outstanding commitments of current and previous years, now that the actual implementation of major programmes is clearly shifting into a higher gear;
3. **scrutinising performance:** the Commission has carried out an in-depth examination of programmes and actions, in particular on the basis of past implementation and performance. The Commission's proposal reflects the best possible use of the available appropriations for actions that carry the required EU added value, meet the Union's political objectives and deliver results. A rigorous approach to programmes and actions experiencing implementation difficulties as well as to support expenditure has allowed the Commission to contain the budgetary requests under the various expenditure headings, while refocusing appropriations towards the Union's political priorities such as small and medium-sized enterprises (SMEs), Youth and Employment and restricting the administrative expenditure including the administrative requirements for the accession of Croatia.

### **Key aspects of the draft budget 2013 by financial framework headings:**

**Heading 1:** Sustainable growth: this heading covers the expenses relating to competitiveness and employment as well as cohesion:

- **Heading 1a: Competitiveness for growth and employment:** this sub-heading comprises the key policies in the implementation of the strategy "Europe 2020". Given the importance of spending on growth, a special effort was made for the Research Framework Programme (increased payment levels for the Research Framework Programmes (+ 28.1% to EUR 9 billion); the Competitiveness and Innovation Framework Programme (CIP) will see a significant increase in the level of payment appropriations (+ 47.8% to EUR 546.4 million); for the Lifelong Learning programme, a substantial increase in the level of payment appropriations is proposed (+ 15.8% to EUR 1 186.0 million).
- Commitment appropriations for this heading are set at EUR 16 032.0 million, which is an increase of 4.1% compared to the 2012 budget. This leaves a margin of EUR 91 million. Payment appropriations increase by 17.8% to EUR 13 552.8 million. This significant increase is in part due

to **additional payment needs** to cover pre-financing payments for the growing level of commitment appropriations for research, and in part to cover intermediate and final payments on **outstanding commitments**;

- **Heading 1b: Cohesion for growth and employment:** for 2013, total commitment appropriations for heading 1b amount to EUR 54 498.9 million, an increase of 3.3% relative to 2012. Of these, EUR 42 144.7 million are for the Structural Funds (ERDF and ESF), an amount similar to the 2012 envelope, and EUR 12 354.2 million for the Cohesion Fund. Overall payment appropriations are set at EUR 48 975.0 million, an increase of 11.7% over 2012. **The substantial increase** in the level of payments shows the momentum of the 2007-2013 Cohesion policy on the ground, with the expected positive impact on investments, economic growth and job creation in the EU.

**Heading 2: Preservation and Management of Natural Resources:** commitment appropriations of EUR 60 307.5 million are proposed for this heading. This level of funding represents an increase of 0.6% compared to 2012 and leaves a margin of EUR 981.5 million under the ceiling. Payment appropriations amount to EUR 57 964.9 million, which is an increase of 1.6% compared to 2012. Within this heading the amount foreseen for market related expenditure and direct aids reaches EUR 44 130.3 million in commitment appropriations, and EUR 44 112.9 million in payment appropriations.

**Heading 3: Citizenship, freedom, security and justice:** this heading is split into two sub-headings:

- **Heading 3a: Freedom, Security and Justice:** this sub-heading sees an increase in commitment appropriations of 1.8%, rising to EUR 1 392.2 million, and leaving a margin of EUR 268.8 million. Payment appropriations increase by 11.1% to EUR 928.3 million, mostly due to the four Funds under Solidarity and management of migration flows, which have now reached cruising speed and require substantial pre-financing payments to Member States.
- **Heading 3b: Citizenship:** commitment appropriations decrease by 3.6% to EUR 689.4 million, leaving a margin of EUR 25.6 million. Payment appropriations for this heading decrease by 3.1% to EUR 646.3 million. If the EU Solidarity Fund (EUR 18.1 million for commitment and payment appropriations in 2012) is excluded from this comparison, commitment and payment appropriations decrease by 1.2% and 0.4% respectively. The annual ceiling for this heading, which supports various actions close to European citizens, remains broadly stable in the current financial framework.

**Heading 4: the EU as a Global Player:** this heading sees an increase in commitment appropriations of 0.7 % to EUR 9 467.2 million, leaving an unallocated margin of EUR 391.9 million available under the ceiling. Payment appropriations on the other hand increase by 5.1 % to EUR 7 311.6 million, mostly due to **increases under IPA, ENPI, Humanitarian aid and CFSP**, at a time when many instruments are reaching cruising speed.

**Heading 5: Administrative expenditure:** both commitment and payment appropriations for this heading for all Institutions combined increase by 3.2%, with commitments set at EUR 8 544.4 million and payments at EUR 8 545.5 million. This increase includes additional administrative expenditure related to Croatia's accession, amounting to EUR 32.9 million for all Institutions. The administrative expenditure related to Croatia is included as from the beginning of 2013, so as to allow recruitments in due time. This remaining margin amounts to EUR 636.6 million.

The Commission continues its efforts to limit its own administrative expenditure by reducing expenditure less affected by automatic adjustments. Moreover, further to its proposals to reduce the staffing numbers of all Institutions and bodies by 5% over the years 2013-2017, **the Commission has reduced by 1% the number of posts in its establishment plans** and has contained appropriations for its external personnel financed under all headings (including in the six executive agencies), leading to a total staff reduction of

1%. As a result, when excluding pensions and European schools (both of which concern interinstitutional expenditure), **the increase in the Commission's administrative expenditure has been limited to 1.2% (1.5% when including Croatia's accession) i.e. well below inflation.**

The Commission's strict approach to administration is to a large degree followed by the **other Institutions**, leading to an **overall increase of administrative appropriations for the other Institutions of 2.6%** (3.3% including Croatia). The requested increases in expenditure for 2013 (including Croatian enlargement) compared to the 2012 budget range from 1.2% for the Council to 8.4% for the Court of Justice, with most Institutions having an increase (excluding Croatia) of around or below inflation. Similar to the Commission's approach, a 1% reduction in human resources is also incorporated by the Council, the Court of Justice and the Court of Auditors. When preparing the Draft Budget, the Commission has modified the request of the Committee of the Regions, so as to align its requested increase (excluding the impact of the accession of Croatia) to the expected rate of inflation (+ 1.9%). This has resulted in a reduction of EUR 0.4 million, as compared to the draft statement of estimates of the Committee of the Regions.

**In conclusion**, the Commission's approach represents **a responsible and coherent budgetary proposal which is refocused on Growth and Jobs**. It is coherent with current restraints, efficient spending and the obligations of the Union. It provides a proposal which is both credible for a smooth and timely adoption of the 2013 budget and responsible for the future by **containing the accumulation of outstanding commitments**.