2014 general budget: all sections

2013/2145(BUD) - 28/06/2013 - Commission draft budget

PURPOSE: the presentation of the Commission’s draft general budget of the European Union for the financial year 2014.

BACKGROUND: given the very particular circumstances relating to the negotiations on the multiannual financial framework (MFF) for the 2014-2020 period, **a framework within which this 2014 budget falls**, this draft general budget takes account of the very advanced stage of these negotiations. It meets the Treaty timetable for the presentation of the annual budget procedure and thus launches the annual budgetary procedure.

The European Parliament and the Council are expected to conclude in a timely manner the legislative decisions on the 2014-2020 MFF and the new legal bases for the accompanying spending programmes, so that the implementation of the new programmes can start without delay. At the same time, the current programmes need to be brought progressively to a successful closure, for which **an adequate level of payment appropriations is necessary**, notably **to meet obligations *vis-à-vis* the beneficiaries** of EU funding.

CONTENT: the 2014 is conceived as an **investment tool** to deliver on smart, sustainable and inclusive growth and for providing solidarity between Member States and regions.

This budget will seek to contribute to four major strategic objectives:

1. enhancing the actions for **Youth** and **SMEs**,
2. putting in place the **new programmes** under the 2014-2020 MFF,
3. fulfilling the **EU’s obligations** (in terms of funding), and
4. limiting **administrative expenditure**.

The budget in a nutshell: overall, the proposed level of expenditure reflects the expenditure ceilings under the new multiannual financial framework set by the European Council in February 2013, while the amounts for the individual programmes reflect the breakdown of the 2014-2020 MFF according to the list of programmes adjusted technically following the European Council conclusions and transmitted to the Budgetary Authority on 27 March 2013.

In terms of **commitment appropriations:** the total expenditure of the draft budget (DB) 2014 is **EUR 142 467.6 million**, corresponding to 1.06% of GNI, that is EUR -9 100.4 million less than in 2013 (-6.0%). The resulting total margin under the MFF expenditure ceilings stands at EUR 528.6 million.

The **payment appropriations** amount to **EUR 136 065.8 million**, corresponding to 1.01 % of GNI. **Practically no margin** (EUR 200 000) is left under the payment ceiling of the MFF which, for 2014 is EUR -8 385 million lower than the level of payment appropriations in the 2013 budget as modified by draft amending budgets (-5.8%).

The Commission’s proposal reflects the payment needs, **assuming that the full amount of the additional payment appropriations requested** with the DAB No 2/2013 **has been approved**. Of the overall amount foreseen for 2014, EUR 54 670.2 million will be used to pay non-differentiated expenditure (whereby commitments are equal to payments) such as direct aids for agriculture and administration, EUR 70 710.7 million for payments on outstanding commitments of previous years (the so-called ‘*reste à liquider*’ or ‘RAL’) and EUR 10 684.8 million to implement new programmes starting in 2014.

MAIN FEATURES BY BUDGET HEADING: the presentation that follows is structured according to the new budget headings resulting from the new multiannual financial framework 2014-2020:

Heading 1: *Smart and inclusive growth:* this new budget heading is itself split into two sub-headings:

- **1a Competitiveness for growth and jobs:** commitment appropriations for this sub-heading amount to EUR 16 264.2 million. This is an increase of 3.3 % compared to the 2013 budget, which is mostly due to the Connecting Europe Facility (CEF) and the large infrastructure projects ('EGNOS and Galileo', 'ITER' and 'Copernicus') under this heading. This leaves a margin of EUR 125.8 million. Payment appropriations decrease by -9.3 % to EUR 11 694.9 million for this sub-heading which is at the heart of the "Europe 2020" strategy. The considerable added value at European level of these programmes will be fully exploited through the rationalisation and mainstreaming of activities and the implementation of more consistent and innovative instruments. The 'common strategic framework' (CSF) implemented through the **'Horizon 2020' programme will absorb more than half of the total budget appropriations** under heading 1a. This sub-heading will also include the single "Erasmus for All" programme in the field of education and training, as well as the COSME programme to support the development of European SMEs;
- **1.b Economic, social and territorial cohesion:** commitment appropriations decrease by -13.5 % to EUR 47 560.6 million, leaving a margin of EUR 22.4 million. Payment appropriations decrease by -9.3 %, to EUR 51 093.7 million. Within this heading, commitment and payment appropriations are foreseen for the **Youth Employment Initiative** (YEI, specific top-up allocation), amounting to EUR 1.8 billion and EUR 450 million, respectively. Heading 1b of the financial framework covers the 'European Regional Development Fund' (ERDF), the 'European Social Fund' (ESF) – including the 'Youth Employment Initiative (YEI) specific top-up allocation', the 'Cohesion Fund' (CF) and the 'Fund for European Aid to Most Deprived' (FEAD). The principal objective of the Structural Funds (ERDF and ESF) and the Cohesion Fund is to strengthen economic, social and territorial cohesion between regions and Member States of the EU, by concentrating resources on less developed regions and Member States. The Commission has proposed a number of important changes to the way cohesion policy is designed and implemented, namely: concentration on the priorities of the 'Europe 2020 strategy'; focusing on results by monitoring progress towards agreed objectives **and rewarding performance by holding back 7% of the funds in a so-called 'performance reserve'**, to be allocated after a performance review in 2019. Moreover, the Commission is proposing in 2014 to allocate an amount of EUR 3.6 billion in commitment appropriations to the **Youth Employment Initiative**, half of which shall be funded by the ESF.

Heading 2: *Sustainable growth: natural resources:* commitment appropriations of EUR 59 247.7 million are proposed for heading 2. This level of funding represents a decrease of -1.1 % compared to 2013 and leaves a margin of EUR 55.3 million under the ceiling. Payment appropriations amount to EUR 56 532.5 million, with a decrease of -2.3 % compared to 2013. Expenditure for market related expenditure and direct aids reaches EUR 43 778.1 million in commitment appropriations, and EUR 43 777 million in payment appropriations. **No margin under the sub-ceiling** for market measures and direct aids is left, as the Commission requested the activation of the financial discipline mechanism.

Measures under the 'European Agricultural Guarantee Fund' (EAGF) will be focused in particular on further improving the situation of primary producers in the food chain, bringing EU commodity prices closer to world prices and increasing the percentage of total direct payments which is decoupled from production to some 94 % as from budget year 2014.

Under the second pillar of the CAP, the European Agricultural Fund for Rural Development (EAFRD) will continue to be targeted at making a vital contribution to the economic, social and environmental well-being of rural areas, and the sustainability of the rural environment.

N.B. this heading also covers finance for the environment and climate action programme (LIFE+), with an amount of EUR 446.3 million proposed in commitment appropriations for 2014.

Heading 3: Security and citizenship: this heading sees a decrease in commitment appropriations of -9.4 % to EUR 2 139.5 million, leaving a margin of EUR 39.5 million. Payment appropriations decrease by -11.9 % to EUR 1 668 million.

Heading 3 groups various policies whose common objective is to strengthen the concept of 'European citizenship' by creating an area of freedom, justice, security and improving access to basic public goods and services. Under this heading may be found the new funds relating to asylum and migration, the "Justice", "Rights and Citizenship", "Europe for Citizens" and "Creative Europe" programmes, as well as other programmes relating to health and consumers. Priority will be given to a continued delivery on the basis of existing mechanisms, while, at the same time, integrating the necessary adjustments entailed by the new programmes.

Heading 4: *Global Europe:* this heading sees a decrease in commitment appropriations of -12.5 % to EUR 8 175.8 million, leaving an unallocated margin of EUR 159.2 million available under the ceiling. Payment appropriations decrease by -8.2 % to EUR 6 251.3 million.

Under this heading are the main geographic and thematic instruments, notably as regards the Instrument for Pre-accession Assistance (IPA II), the European Neighbourhood Instrument (ENI), the Development Cooperation Instrument (DCI), the European Instrument for Democracy and Human Rights (EIDHR), the Instrument for Stability (IfS) and the Instrument for Nuclear Safety Cooperation (INSC).

In addition to the revised financial instruments, the Commission has proposed the creation of a **new instrument** – the Partnership Instrument (PI) – to complement the current array of instruments. The Partnership Instrument is the successor of the financial instrument for cooperation with industrialised and other high income countries (ICI/ICI+). Its overarching objective is to advance and promote EU and mutual interests.

Heading 4 also covers expenditures relating to humanitarian aid and the Common Foreign and Security Policy (CFSP).

Heading 5: *Administration (expenditure of the European institutions and staff):* commitment and payment appropriations for administration for all institutions combined increase by 2.1 % (of which + 1.3 % for the administrative expenditure of the institutions), with commitments set at EUR 8 595.1 million and payments at EUR 8 596.7 million. This increase includes **additional administrative expenditure related to Croatia's accession**, amounting to EUR 54 million for all institutions.

As regards heading 5, the new MFF introduces a sub-ceiling for administrative expenditure of the institutions (excluding pensions and European schools). The requested expenditure for the institutions leaves a margin of EUR 119.7 million under such a sub-ceiling. Taking into account the estimated expenditure for pensions, the global margin under the ceiling of heading 5 amounts to EUR 125.9 million.

The Commission's document presents the budgetary amounts for all the Union's institutions (including European Parliament, the Council, the European Council…).

Heading 6: *Compensations:* lastly, both commitments and payments for heading 6 are set at EUR 28.6 million, which is a decrease of -61.9 % compared to 2013, in accordance with the Treaty concerning the Accession of Croatia.