Basic information

2011/2042(BUD) BUD - Budgetary procedure	Procedure completed
2012 budget: general guidelines for the preparation **Subject** 8.70.60 Previous annual budgets	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	BALZANI Francesca (S&D)	16/02/2011
	Shadow rapporteur LA VIA Giovanni (PPE)	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3067	2011-02-14
Economic and Financial Affairs ECOFIN	3088	2011-05-17

European Commission

Commission DG	Commissioner
Budget	LEWANDOWSKI Janusz

Key events

Date	Event	Reference	Summary
14/02/2011	Resolution/conclusions adopted by Council		Summary
15/03/2011	Vote in committee		Summary
17/03/2011	Committee report tabled for plenary	A7-0058/2011	
24/03/2011	Decision by Parliament	T7-0114/2011	Summary
24/03/2011	Results of vote in Parliament		
24/03/2011	Debate in Parliament		
24/03/2011	End of procedure in Parliament		
17/05/2011	Debate in Council		Summary

Technical information	
Procedure reference	2011/2042(BUD)
Procedure type	BUD - Budgetary procedure
Procedure subtype	Budgetary preparation
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/7/05379

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE458.856	22/02/2011	
Amendments tabled in committee		PE460.801	09/03/2011	
Committee report tabled for plenary, single reading		A7-0058/2011	17/03/2011	
Parliament's opinion on budgetary estimates/guidelines		T7-0114/2011	24/03/2011	Summary

Council of the EU

Document type	Reference	Date	Summary
Document attached to the procedure	05895/2011	03/02/2011	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2011)5427	12/09/2011	

Additional information

Source	Document	Date
European Commission	EUR-Lex	

2012 budget: general guidelines for the preparation

2011/2042(BUD) - 03/02/2011 - Document attached to the procedure

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 re**duce 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.

2012 budget: general guidelines for the preparation

2011/2042(BUD) - 24/03/2011 - Parliament's opinion on budgetary estimates/guidelines

The European Parliament adopted a resolution on the general guidelines for the preparation of the 2012 budget.

The resolution is presented under the auspices of enhanced European economic governance, the European Semester mechanism and Europe 2020 objectives to boost growth and employment. Parliament takes the view that the Europe 2020 strategy should help Europe recover from the crisis and come out stronger, through smart, sustainable and inclusive growth based on the five

EU headline targets, namely:

1. promoting employment;
2. improving the conditions for – and public spending on – innovation, research and development;
3. meeting the climate change and energy objectives;
4. improving education levels;
5. promoting social inclusion, in particular through the reduction of poverty.

Parliament points out that some consistency must be ensured between achieving these objectives and the funding allocated to them at European and national level. It takes the view that the European Semester, as a new mechanism for enhanced European economic governance, should afford an opportunity to consider how best to deliver on these five headline targets.

Members acknowledge the Council's concern about economic and budgetary constraints at national level, but recall, first and foremost, that under Treaty provisions the EU budget can not run a public deficit. They recall that, in 2009, the accumulated public deficit in the EU as a whole amounted to **EUR 801 billion**, and that the EU budget represents a mere 2% of total public spending in the EU. Members take the view, however, that the difficult economic situation across the Union makes it more important than ever to ensure **proper implementation of the EU budget**. Plenary suggests that a thorough review should be undertaken of those lines which have a history of low outturn or where problems have arisen in implementation.

Overall, Members are of the opinion that the EU budget brings added value to national public expenditure when initiating, supporting and complementing investments in those policy areas which are at the core of Europe 2020. **It has an instrumental role to play in helping the EU to exit the current economic and financial crisis**. The EU budget could at least mitigate the effects of current restrictive national budgetary policies while supporting the efforts of national governments. Members stress that, given its redistributive nature, lowering the level of the EU budget may harm European solidarity and have an adverse impact on the pace of economic development in many Member States. They believe that a purely 'net contributor'/'net beneficiary' approach does not take due account of spill-over effects between EU countries and therefore undermines common EU policy goals.

European 2020 Strategy, an absolute priority: Parliament recalls that delivering on the Europe 2020 strategy's seven flagship initiatives will require a huge amount of future-oriented investment, estimated at no less than EUR 1.8 billion until 2020. It stresses that one of the main objectives of the Europe 2020 strategy – namely, to promote jobs and high-quality employment for all Europeans – will be achieved only if the necessary investments in education, in favour of a knowledge society, research and development, innovation, SMEs and green and new technologies are made now and not delayed any longer. In this context, Parliament calls for a **renewed political compromise** combining the reduction of public deficits and debt with the promotion of such investments. It expresses its willingness, with a view to magnifying the impact of the EU budget and contributing to the EU's response to the economic crisis, to explore possible ways to widen existing instruments enhancing the synergy between the EU budget and EIB actions, in order to support long-term investments.

Members oppose, therefore, attempts to limit or reduce budget appropriations linked to the delivery of the Europe 2020 strategy's headline targets and seven flagship initiatives. They state that it can only be credible only if adequately funded. They highlight the fact that budgetary efforts must be supplemented by concrete proposals for simplification as well as a qualitative refocusing of existing EU policies, including the CAP.

Other priority areas: 2012 budget appropriations, including in those areas not directly linked to the achievement of the Europe 2020 strategy, need to be kept at an appropriate level to ensure the continuation of EU policies and the achievement of EU objectives well beyond the duration of the current economic crisis. It is therefore necessary to endow the EU with the necessary financial means to be able to respond adequately to growing global challenges and to defend and promote its common interests and core values – like human rights, democracy, the rule of law, fundamental freedoms and environmental protection – effectively. Parliament recalls that moderate additional expenditure at EU level can often generate proportionately higher savings at Member State level. It believes that the EU has an **important role to play in assisting and financially supporting Arab countries at this historical point in their democratic development**.

Sustainability and responsibility at the heart of the 2012 EU budget: Parliament notes that, for 2012, the Multiannual Financial Framework (MFF) for 2007-2013 provides for:

- an overall level of **commitment appropriations** of **EUR 147.55 billion**;
- an overall ceiling for **payment appropriations** of **EUR 141.36 billion**.

These amounts are in any case considerably lower (by around EUR 25 billion in the case of commitments, and around EUR 22 billion in the case of payments) than the ceiling specified in the current Own Resources Decision.

Pointing out that the 2012 budget is the sixth of seven under the current MFF, Parliament believes that the two arms of the budgetary authority now have, therefore, a clearer view of the shortfalls and positive developments associated with existing multiannual programmes. The resolution emphasises, in this connection, that the European Parliament is determined – should it prove necessary in order to support and enhance EU political priorities as well as to address new political needs and in close cooperation with its specialised committees – to make full use of, inter alia, Point 37 of the IIA (allowing a 5% margin of legislative flexibility).

Parliament is still concerned about the **recurrent under financing of certain headings of the MFF**, in particular Headings 1a, 3b and 4, as compared to the needs and EU political priorities endorsed by the Member States. It stresses that recent events in several North African countries are already pointing in that direction, and invites the Commission to asses how the EU's existing financial instruments could be used to support aspirations to democracy. It welcomes, in this connection, the Commission communication entitled 'A partnership for democracy and shared prosperity with the southern Mediterranean'.

Members believe that the various flexibility mechanisms foreseen by the IIA (such as shifting expenditure between headings or mobilising the flexibility instrument) are tools to be used fully. They expect the Council's to give its full cooperation in using them.

Members also emphasise that the strengthening of a number of policies and the new competences established at EU level following the entry into force of the Lisbon Treaty should logically imply additional financial capacity for the EU, which was hardly the case for 2011, the first year after its entry into force. They expect the Commission to follow suit by, for example, proposing to turn successful Lisbon-related pilot projects or preparatory actions into multiannual programmes. Members reaffirm the need to examine requests for new posts carefully in relation to newly assigned tasks.

Level of payments, RAL and financing of the EU budget: Parliament emphasises the urgent need to address the issue of the growing level of outstanding commitments (RAL) at the end of 2010 (EUR 194 billion). It does not consider the Council's option of reducing EU budget commitments in order to decrease the level of RAL to be a sustainable solution, since this would be detrimental to the achievement of previously agreed EU objectives and priorities. A **certain level of RAL is unavoidable when multiannual programmes are implemented**. Members request therefore, that an orderly relationship between commitments and payments be maintained, and will do its utmost throughout the budgetary procedure to reduce the discrepancy between commitment and payment appropriations.

In parallel, Members share the Council's view that **realistic budgeting should be promoted**. They endorse the Council's call for the Member States to provide better implementation forecasts, notably with a view to avoiding under-implementation of the budget. The bulk of the effort in this respect should be undertaken by the Member States themselves, since the level of the Commission's draft budget is determined mainly by their own forecasts (particularly under Heading 2) and their implementation capacity. They recall that the Member States co-manage, together with the Commission, more than 80% of EU funding and that the management and control systems in some of the Member States are not fully effective.

Parliament is aware that the level of payments finally implemented every year sometimes entails a significant so-called 'surplus' compared with the level of payments originally agreed by the budget authority, meaning that Member States' national contributions to the EU budget are therefore decreased accordingly, and their fiscal positions improved. It does not consider the Council's concerns as to the level and timing of this 'return' relevant in addressing the sensitive underlying political issue of the financing of the EU budget. Parliament is rather of the opinion that unspent payments from year 'n' should be carried over to the following budget year ('n+1') rather than being deducted from the calculation of Member States' national contributions.

Members strongly urge the Commission, therefore, to make ambitious proposals for the establishment of **new and genuine own resources**, so as fully to provide the EU with real and autonomous financial resources, based on a comprehensive impact assessment. The Council is asked to cooperate constructively in the debate on fair and new own resources for the EU.

Administrative expenditure: Parliament takes due account of the Commission's commitment to zero staff increase as well as its endeavour to limit the nominal increase (as compared with 2011) in administrative appropriations under Heading 5. It is aware, however, that while EU competences keep on increasing, this trend may not be sustainable in the long term and may have an adverse impact on the swift and effective implementation of EU actions. It calls on the Commission to consider the long-term impact of its outsourcing policy, and of its approach of employing a growing number of contract agents, on the quality and independence of the European civil service.

2012 budget: general guidelines for the preparation

2011/2042(BUD) - 17/05/2011

The Council took note of the presentation by the Commission of its draft for the EU's general budget for 2012.

Some delegations considered the Commission proposal not to be in line with the national fiscal consolidation measures and argued for **further efforts to limit the increase of the EU's 2012 budget**. Other delegations regarded the draft budget as a starting point for the discussions and stressed the need to continue implementing EU programmes in particular in the cohesion area.

It asked the Permanent Representatives Committee to examine the draft, with a view to enabling the Council to establish its position.

On 15 February, the Council established its priorities for the 2012 budget (see Council doc. *5895/11*). These will be used by the incoming Polish presidency as a reference in negotiations with the European Parliament and the Commission later in the year.

In the draft budget, the Commission proposes a total of EUR 132.7 billion in payments (+ 4.9% compared with 2011) and EUR 147.4 billion in commitments (+ 3.7%). Payments represent 1.01% of EU gross national income and commitments 1.12%.

The Council is expected to establish its position on the draft budget at the end of July, and the Parliament at the end of October. If their positions diverge, a three-week conciliation process will start on 1 November.

2012 budget: general guidelines for the preparation

2011/2042(BUD) - 14/02/2011

The Council adopted conclusions setting out its priorities for the EU's general budget for 2012. The conclusions will serve as the basis for negotiations with the European Parliament and the Commission later this year (please refer to the summary dated 03/02/2011).

The conclusions emphasise that the consequences of the economic crisis and fiscal consolidation efforts will continue to impact the budget in 2012. They underscore the need to take into account economic and budgetary constraints at the national level whilst continuing implementation of EU programmes and actions, including the financing of measures aimed at tackling the effects of the crisis and promoting growth.