

2012 budget: all sections

2011/2020(BUD) - 26/05/2011 - Commission draft budget

PURPOSE: to present the draft general budget of the European Union for the financial year 2012.

CONTENT: the Commission adopted the draft general budget 2012, the second of the "Lisbon era." It is also the fifth and penultimate budget under the Financial Framework. **Sustaining investments and economic growth will remain at the heart of EU activity in 2012**, building on a more positive economic outlook. The EU, while pursuing its support to investment and to actions in favour of growth and employment in 2012, will act in a new frame established for economic recovery and economic governance ([Europe 2020](#) and the [European semester](#)).

This will be done while major challenges remain to be solved for both the Union and the Member States. In the context of the recovery gaining ground, the EU budget will have an important role to play as a leverage tool to Member States' recovery policies, which will impact on final beneficiaries.

General budget details: the Draft Budget for 2012 is therefore proposed at the level of **EUR 147 435.6 million in commitment appropriations**, corresponding to 1.12% of GNI, that is EUR 5 324.3 million more than in 2011 (+ 3.7%). This leaves a combined total margin of EUR 1 603.3 million under the various ceilings of the MAFF.

For **payment appropriations**, the total amounts to EUR 132 738.6 million, corresponding to 1.01% of GNI. This is an increase of EUR 6 191.9 million compared to payment appropriations in the 2011 budget (+ 4.9%), and leaves a margin of EUR 8 815.4 million under the ceiling of the MAFF.

Priorities for the 2012 draft budget: the key objective should again be to fully support the European economy and EU citizens by exploring the leverage effect of the EU budget to reinforce growth and employment opportunities, while sustaining the actions implemented within Member States' budgets.

The 2012 Draft Budget will also address the objective of smart, sustainable and inclusive growth, as identified by the Europe 2020 strategy.

The following priorities have been established for the 2012 Draft Budget:

- **investing for growth within fiscal consolidation:** the EU Budget is also a tool to finance investments, particularly needed during a period of fiscal consolidation in the Member states. Within an overall level of commitments set at EUR 147.4 billion, **46.1% is dedicated to sustainable growth**. The Commission is fully aware of the ongoing fiscal consolidation efforts in Member States and the related difficulties. **The proposed increase in the overall level of payment appropriations (+ 4.9%)** represents a valuable contribution to European economic recovery and growth, and 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 all major programmes are running at cruising speed.
- **reinforcing the budgetary strand of the Europe 2020 strategy:** expenditure related to competitiveness for growth and employment, with EUR 15.2 billion in commitment appropriations, and Cohesion for growth and employment, with EUR 52.7 billion in commitment appropriations, will support the EU economy and contribute to shaping the conditions for sustainable growth, both in the short and longer term. A knowledge and innovation based economy clearly benefits from investing in research and development, innovation, infrastructure and human capital, with particular attention to our younger generations, in line with the priority areas identified by the Europe 2020

strategy. Overall, the proposed commitment appropriations directly linked to the objectives of the **Europe 2020 strategy in 2012 increase by 5.1%** to EUR 62.6 billion. Accordingly, the 2012 Draft Budget foresees significant increases in payment appropriations for expenditure at the core of the Europe 2020 strategy, delivering real implementation on the ground. In particular, increased payment levels for the Research Framework Programmes (+ 13.3% to EUR 7.6 billion) and for the structural and cohesion funds (+ 8.4% to EUR 45.1 billion) aim at maximising the EU budget contribution to economic growth, and to support economic, social and territorial cohesion in a Union of 27 Member States with significant disparities in levels of development and standards of living. Reinforced payment levels for research and cohesion are combined in the 2012 Draft Budget with **lower increases for market related expenditure and direct aids** under the Common Agricultural Policy (CAP).

- **strengthening Lisbon Treaty priority areas:** when preparing the 2012 Draft Budget, the Commission has thoroughly assessed the needs for priority areas stemming from the Union's new competences under the Lisbon Treaty, such as **competitiveness and innovation** (+ 7.5% in commitment appropriations), **space** (+ 13.2%), **climate actions** (+ 6.1%) and the Common Foreign and Security Policy (**CFSP**, + 11.0%). The substantial increase in appropriations foreseen for the area of Freedom, Security and Justice (heading 3a, + 17.7% in commitment appropriations and + 6.8% in payment appropriations), and in particular for Solidarity and management of migration flows, reflects the importance attached to the implementation of the 'Stockholm programme' in a secure Union. The Union's ambitions in its external actions are translated in the Draft Budget into a growing level of commitment appropriations for the EU as a global player (+ 2.9 %).

MAIN BUDGETARY CHARACTERISTICS HEADING BY HEADING: the presentation is structured according to the budget headings of the 2007-2013 Financial Framework:

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

- **For Competitiveness for Growth and Employment (heading 1a):** this heading includes many of the flagship initiatives set out in the Europe 2020 strategy including 'innovation Union', 'youth on the move', 'resource efficiency Europe', 'new skills and jobs' and 'industrial policy for the globalisation era'. The main programmes under this heading are the 7th Framework Programme for research and technological development (FP7), the Lifelong Learning Programme, the Competitiveness and Innovation Programme (CIP), the Trans-European Networks (TENs), GALILEO/EGNOS, GMES, Marco Polo II, and the PROGRESS Programme. Commitment appropriations are set at EUR 15 223.6 million, which is an increase of 12.6% compared to the 2011 budget. This leaves a margin of EUR 129.4 million. Payment appropriations increase by 8.1% to EUR 12 566.1 million. This 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.
- **For Cohesion for Growth and Employment (heading 1b):** this heading covers the Structural Funds, i.e. the European Regional Development Fund (ERDF) and the European Social Fund (ESF), as well as the Cohesion Fund (CF). Commitment appropriations increase by 3.4% to EUR 52 738.9 million, leaving a margin of EUR 22.1 million. Payment appropriations increase by 8.4 %, to EUR 45 134.8 million. The substantial increase in the level of payments shows the momentum of the 2007-2013 Cohesion policy on the ground, thus contributing to investments, economic recovery and job creation in the EU. With the programmes up and running, further significant increases are expected in the payment needs for 2013.

Heading 2: *Preservation and management of natural resources*: commitment appropriations amount to EUR 60 158.4 million. This level of funding represents an increase of 2.6% compared to 2011 and leaves a margin of EUR 651.6 million under the ceiling. Payment appropriations amount to EUR 57 948.4 million, which is an increase of 2.8% compared to 2011. Within this heading the amount foreseen for

market related expenditure and direct aids reaches EUR 44 179.7 million in commitment appropriations, and EUR 44 102.8 million in payment appropriations.

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

- **For Freedom, Security and Justice (heading 3a)**: this sees an important increase in commitment appropriations of 17.7%, rising to EUR 1 340.4 million, and leaving a margin of EUR 65.6 million. Payment appropriations also increase substantially, by 6.8% to EUR 868.3 million.
- **For Citizenship (heading 3b)**: commitment appropriations decrease by 0.1% to EUR 683.5 million, leaving a margin of EUR 15.5 million. Payment appropriations for this heading decrease by 0.3% to EUR 645.7 million. If the EU Solidarity Fund (EUR 196.9 million and EUR 18.4 million for commitment and payment appropriations respectively in 2011) is included in this comparison, commitment and payment appropriations decrease by 22.4 % and 3.0% 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 2.9 % to EUR 9 009.3 million, with an increased margin of EUR 246.7 million available under the ceiling. After the review of the European Neighbourhood Policy foreseen for May 2011, the Commission will present an **Amending Letter** in order to reflect the necessary budgetary adjustments for 2012. Payment appropriations on the other hand slightly increase by 0.8% to EUR 7 293.7 million.

Heading 5: *Administration*: commitment and payment appropriations for Administrative expenditure (heading 5) for all Institutions combined increase by 1.3 %, with commitments set at EUR 8 281.5 million and payments at EUR 8 281.6 million. This leaves a margin of EUR 472.5 million. The Commission has made particular efforts to freeze its own administrative expenditure by reducing the types of expenditure that are under direct control of the Commission, such as expenditure linked to buildings, IT, meetings, studies, etc. This has led to a 'nominal freeze' in the Commission's administrative budget, when excluding pensions and European schools, i.e. a reduction by 1.8 % in real terms according to the latest inflation forecast (November 2010) of 1.8 % in 2012. This stabilisation of administrative expenditure in nominal terms also results from the fact that the Commission does not request any additional posts, for the third year in a row. The Commission plans to continue to meet its priorities, including those resulting from the entry into force of the Lisbon Treaty, by an important redeployment effort. The Commission's strict approach to administration is to a large degree followed by most of the

other Institutions, leading to an overall increase of administrative appropriations for the other Institutions of 1.3%

By way of conclusion, the Commission notes that the proposed **Draft Budget represents a responsible and coherent budgetary proposal** which takes into account the requirements expressed by both arms of the Budgetary Authority and pays due attention to the current circumstances. It provides both the opportunity for sustaining growth and jobs and utilises, based on thorough and deep assessment of performance, the opportunity for the EU to target the actions that should bring the most benefits to its citizens and those in need in our neighbourhood. It provides a credible proposal for the discussions and cooperation throughout the budget procedure for a smooth and timely adoption of the 2012 budget.