2015 general budget: all sections; new proposal

2014/2224(BUD) - 27/11/2014 - Commission draft budget

PURPOSE: presentation of a **new Draft General Budget** for 2015.

CONTENT: in the absence of agreement in the Conciliation Committee, the Commission now submits a new Draft Budget 2015.

Background to the budgetary procedure: in accordance with the provisions laid down by the Lisbon Treaty:

- on 24 June 2014, the Commission transmitted the Draft Budget for 2015 in all the official languages;
- on 2 September 2014, Council completed its reading of the Draft Budget;
- on 22 October 2014, the European Parliament voted its reading. As the European Parliament adopted amendments to the Draft Budget, which could not be accepted by the Council, **a Conciliation Committee was convened**, in accordance with Article 314 §4(c) of the Treaty on the Functioning of the European Union (TFEU).

The Conciliation Committee worked over a period of twenty-one days, between 28 October and 17 November 2014. Although significant progress was made during the discussions, including as regards the acceptance of the need to **mobilise the Contingency Margin for payment appropriations in 2014**, it was not possible to reconcile the positions of the European Parliament and Council within the time period allowed, in particular with regard to the level of payment appropriations to meet outstanding payment needs for 2014. This prevented reaching an agreement on the 2015 budget, as well as on Draft Amending Budget No 2/2014, No 3/2014, No 4/2014, No 5/2014 and No 7/2014 as all these were considered as a package by the European Parliament and Council.

A new Draft Budget 2015: in the absence of agreement in the Conciliation Committee, the Commission now submits a new Draft Budget 2015, in accordance with Article 314 §8 of the TFEU. The Commission is seeking to reconcile the positions of the two arms of the Budgetary Authority in this proposal for a new Draft Budget, without recourse to a further period of Conciliation.

The consequences of non-agreement on the budget would be the recourse to provisional twelfths in 2015, with detrimental effects on the implementation of key policies and programmes and would send a damaging message to the citizens of Europe at a time of economic uncertainty.

With this imperative of reaching a timely adoption of the 2015 budget, the Commission proposal for a new Draft Budget for 2015 builds on the progress made on budget 2015 in the Conciliation Committee, which to a large extent restored the Commission's original Draft Budget, as amended by Amending Letter No 1/2015, in particular for commitments, though with a lower level for payments.

This proposal also takes into account recent discussions and proposals to maximise the contribution of the EU budget to economic growth. In this regard, the proposal for a new Draft Budget is focused on supporting in particular those policies in **favour of competitiveness and economic convergence**, thus contributing to growth and jobs, as well as those budget lines which allow Europe to address crises especially in its neighbourhood. It also reflects the **10 priority policy areas set out in the political guidelines for the new Commission**, such as boosting jobs, growth and investment, connecting the digital single market, increasing the resilience of the energy supply while fighting against global warming, securing Europe's borders and having a stronger Europe when it comes to foreign policy.

The Commission's new budget proposals:

In terms of *commitment* appropriations, the total expenditure proposed in the new Draft Budget (DB) 2015 (including special instruments) is EUR 145 226.3 million, corresponding to 1.04% of GNI, that is **EUR 2 536 million more than in 2014** (+ 1.8%), when including Draft Amending Budgets No 3/2014 and No 8/2014, and leaves a combined total margin of EUR 1 855.3 million under the various ceilings of the MFF.

For *payment* appropriations (including special instruments), the requested total expenditure is EUR 141 337.3 million, corresponding to 1.01% of GNI. This is an increase of EUR 968 million compared to

payment appropriations in the 2014 budget (+ 0.7%), when including Draft Amending Budgets No 3-8 /2014, and leaves a margin of EUR 800 million under the MFF ceiling.

Budgetary analysis of the headings is as follows:

- **Heading 1a, Competitiveness for Growth and Jobs**: commitment appropriations for heading 1a are set at EUR 17 488.5 million. This is an increase of 6.1% compared to the 2014 budget, which is mostly due to Horizon 2020, the Connecting Europe Facility (CEF) and the large infrastructure projects 'ITER' and 'Copernicus' under this heading, and leaves a margin of EUR 177.5 million. Payment appropriations increase by 31.6% to EUR 15 833.3 million. This significant increase takes into account the low level of payments in 2014 for programmes such as Horizon 2020 and the need to address the growing level of outstanding commitments while allowing for **sufficient pre-financing to launch the new programmes**.
- **Heading 1b, Economic, Social and Territorial Cohesion**: commitment appropriations increase by 3.6% to EUR 49 230.3 million, leaving **no margin**. This includes the additional structural funds foreseen for Cyprus, for which the Commission proposes the mobilisation of the Flexibility Instrument for an amount of EUR 83.3 million in commitment appropriations and EUR 11.3 million in payment appropriations. Payment appropriations decrease by 6% compared to the 2014 budget as modified by Draft Amending Budgets, to EUR 51 067.4 million.
- **Heading 2, Sustainable Growth: Natural Resources**: commitment appropriations of EUR 58 808.6 million are proposed for heading 2. This level of expenditure represents a **-0.6% reduction compared to the 2014 budget** and leaves a margin of EUR 790.4 million under the ceiling. Payment appropriations amount to EUR 56 231.1 million, with the same decrease (-0.6%) compared to 2014 as modified by Draft Amending Budgets. Integrating the latest update on assigned revenue, the funding for market related expenditure and direct aids reaches EUR 43 455.8 million in commitment appropriations, and EUR 43 448.3 million in payment appropriations. When combining EAGF assigned revenue and requested appropriations, global EAGF expenditure increases by EUR 273.6 million compared to the original draft budget. A margin under the subceiling for market measures and direct aids amounting to EUR 734 million is left.
- **Heading 3, Security and Citizenship**: this heading sees a 1.2% decrease in commitment appropriations to EUR 2 146.7 million, leaving a margin of EUR 99.3 million. Payment appropriations increase by 12.4% to EUR 1 884.3 million, due to the start-up of the Asylum, Migration and Integration Fund and the Internal Security Fund.
- **Heading 4, Global Europe**: this heading sees an increase in commitment appropriations of 0.4% to EUR 8 356.4 million, leaving an unallocated margin of EUR 392.6 million available under the ceiling. Payment appropriations increase by 8.6% to EUR 7 428 million, mostly to take account of the rapidly growing level of outstanding commitments under this heading.
- **Heading 5, Administration**: commitment and payment appropriations for all institutions combined including pensions and European schools increase by 3.3%, for commitments (EUR 8 680.5 million) and 3.1% for payments (EUR 8 668.1 million). This takes into account the proposed transfer of "common administrative costs of EU Delegations" and the EU Special Representatives from the operational headings. The resulting unallocated margin is EUR 395.5 million.

The details of the changes proposed to the original Draft Budget, as modified by Amending Letter No 1 /2015, are as follows:

- ***Heading 1a - Competitiveness for Growth and Jobs***: commitment appropriations are set at the level proposed by the Commission in the original Draft Budget, with amendments to the programmes included in the table below, to reflect the priority of contributing to enhancing access to finance through the EU budget, especially for the small and middle-sized enterprises (SMEs).
- ***Heading 2 - Sustainable Growth: Natural Resources***: commitment appropriations are set at the level proposed by the Commission in the Draft Budget, as amended by Amending Letter 1/2015, integrating the latest update (+ EUR 273.6 million) of assigned revenue. Based on the new elements that have emerged since the presentation of Amending Letter 1/2015, notably the information on the actual uptake of the emergence measures taken since August 2014 to respond to the Russian food import ban, the final EAGF surplus for 2014 and the updated forecast of financial corrections to be collected in 2015, the emergency measures referred to above (including those related to the dairy sector in the Baltic States, for which the Commission adopted a further package on 26 November 2014, as well as for Finland once the conditions are met), can be financed within the appropriations requested in Amending Letter 1/2015 without having recourse to the agricultural crisis reserve, thanks to this additional assigned revenue.
- ***Heading 3 - Security and Citizenship***: commitment appropriations are set at the level proposed by the Commission in the original Draft Budget, with the following changes: the EUR 20 million increase in the operational expenditure of FRONTEX, is offset by a corresponding reduction of budget item (18 02 01 01) Support of border management and a common visa policy to facilitate legitimate travel.
- ***Heading 4 - Global Europe***: commitment appropriations are set at the level proposed by the Commission in the original Draft Budget. However, the appropriations related to budget item (19 03 01 07) European Union Special Representatives (EUR 20 million in commitments and EUR 9.2 million in payments) are transferred to the EEAS section of the budget.
- ***Heading 5 - Administration***: the number of posts in the establishment plans of the Institutions and the commitment appropriations are set at the level proposed by the Commission in the Draft Budget as amended by Amending Letter 1/2015, with the following exceptions: (i) a net reduction of 35 establishment plan posts, on the one hand due to a reduction of 47 posts for the European Parliament and an increase of 12 posts for the Court of Justice on the other hand; (ii) a net reduction in appropriations of EUR 600 000, on the one hand due to a reduction of EUR 1.4 million for the European Court of Auditors, EUR 1.4 million for the European Economic and Social Committee and EUR 400 000 for the Committee of the Regions, and an increase of EUR 2.6 million for the Court of Justice on the other hand; (iii) the increase of EUR 91.5 million for the EEAS reflects the budgetary-neutral transfer of the "common administrative costs of EU Delegations" and the EU Special Representatives, which is completely offset in the Commission section in heading 1a. Overall, these transfers result in a net increase in appropriations under heading 5 of EUR 66.3 million.

The issue of payment appropriations: the Commission assessment of needs, which led to the requested increase in payment appropriations for the financial year 2014 as proposed in Draft Amending Budget (DAB) No 3/2014 remains justified, both in terms of actual implementation to date and in light of payment claims received. Although no agreement was reached in the Conciliation Committee on DAB No 3/2014, nor on DAB 5/2014 and 7/2014 on the mobilisation of the EU Solidarity Fund, these amending budgets are still part of the package to be agreed together with the 2015 budget. **No agreement** was reached on the level of additional payment appropriations required by DABs 3, 5 and 7, and the financing of so-called 'special instruments'.

This new Draft Budget 2015 entails a **EUR 800 million overall reduction of payment appropriations compared to the Commission's original Draft Budget** as amended by Amending Letter 1/2015.

The proposed distribution of payment appropriations in the new Draft Budget 2015 will allow continuing to **reduce the backlog of unpaid bills from the past programming period** for Cohesion, to address the growing level of outstanding commitments for Competitiveness and Global Europe, as well as to successfully launch the new generation of spending programmes in 2015.

In this regard, the Commission stands ready to contribute to establishing, in close cooperation with the European Parliament and Council, a **payment plan aiming at keeping the evolution of the backlog of unpaid bills under control**.