



Brussels, 16 July 2008

BRIEFING NOTE ¹

ECONOMIC AND FINANCIAL AFFAIRS COUNCIL (Budget)

Brussels, 17 July 2007

The Council will start work at 10.00 on Thursday 17 July in order to prepare for the customary conciliation meeting, scheduled for 11 o'clock, with a delegation from the European Parliament.

The Council will be chaired by Mr Eric WOERTH, French Minister for the Budget, Public Accounts and the Civil Service.

At the close of the conciliation meeting with the European Parliament, the Council will establish the draft 2009 budget on the basis of the preliminary draft budget submitted by the Commission and the preparatory work carried out by the Permanent Representatives Committee and the Budget Committee.

The Permanent Representatives Committee has reached unanimous agreement on the draft budget for 2009 which was submitted to the Council.

*In order to provide appropriate funding for the EU's various policy priorities on competitiveness for growth and employment (subheading 1a of the financial framework), the Council intends to cut a total of EUR 78,31 million from the commitment appropriations and EUR 471,31 million from the payment appropriations requested in the PDB in a **targeted** manner over a series of budget lines, on the basis of, amongst other things, an analysis of past and current budget implementation.*

As regards subheading 1b on cohesion for growth and employment, the Council intends to accept the commitment appropriations as proposed by the Commission and, on the one hand, to make a reasonable reduction of EUR 300 million in payment appropriations concentrated in the field of regional competitiveness and, on the other hand, to make an increase of EUR 50 million in the field of convergence in view of the political importance of developing convergence in states and regions.

¹ This note has been drawn up under the responsibility of the Press Service.

As regards subheading 3b, the Council demonstrated the importance it attached to the issue of migration by accepting the Commission proposal for funding and staff for the FRONTEX Agency.

As regards heading 4 (The EU as a Global Partner), the Council intends to include in its draft budget some priorities of political importance and to add EUR 100 million for Palestine and EUR 60 million for Kosovo, which will be entered in the reserve pending a letter of amendment which the Commission could adopt at the end of the summer.

Conciliation with the European Parliament could yield agreement on a series of statements on important issues relating to conduct of the budget procedure.

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Preliminary draft general budget of the European Communities for 2009

The preliminary draft general budget of the European Communities for 2009 (PDB 2009) amounts to :²

- EUR 134 394 913 226 in **commitment** appropriations;
- EUR 116 736 436 306 in **payment** appropriations.

Compared to the 2008 budget, these amounts represent a 3,1 % increase in commitment appropriations and 3,3 % reduction in payment appropriations.³

OUTCOME OF THE PREPARATORY WORK IN THE COUNCIL

The outcome of the proceedings of the Budget Committee, as unanimously confirmed by the Permanent Representatives Committee on 9 July, is based on a general and balanced compromise, in accordance with the following principles:

- to work within the framework of the budget guidelines established for the 2009 budget in the Council conclusions adopted in March 2008⁴;
- to apply budgetary discipline and sound financial management to all parts of a realistic and balanced budget;
- not to adopt expenditure relating to the implementation of the Lisbon Treaty;
- to provide adequate funding for the European Union's various priorities, taking into account the budget implementation rate in 2007, the 2008 forecasts and realistic capacities for programme implementation;

² Taking into account the final draft estimates of the institutions, the **rectified PDB 2009** amounts to:

- EUR 134 402 239 249 in **commitment** appropriations;
- EUR 116 743 762 329 in **payment** appropriations.

³ The maximum rate of increase for non-compulsory expenditure is 5,0 %.

⁴ See Press Release 7192/08.

- to follow the same approach with regard to allocations for administrative expenditure arising from operational programmes and the expenditure of the executive agencies responsible for their management;
- to keep the volume of appropriations for the decentralised agencies under control by applying different uniform criteria linked to those agencies' stage of development and taking account of surpluses from previous financial years:
 - "*agencies which have reached cruising speed*": increase limited to 2 % on the 2008 budget and refusal of the new posts requested;
 - "*agencies which are expanding*": increase limited to 5 % and acceptance of 50 % of the new posts requested;
 - "*agencies which are starting up*": increase limited to 12 % and acceptance of 75 % of the new posts requested;
 - "*agency in a priority sector under the budget guidelines for 2009*": PDB (appropriations and posts) accepted.
- to leave adequate margins below the ceilings for the headings of the Financial Framework, with the exception of subheading 1b, in order to be able to cope with unforeseen situations.

The draft budget as approved by the Council amounts to:

- **EUR 133 932 757 913 in commitment appropriations,**
- **EUR 114 972 328 243 in payment appropriations.**

On the basis of the above approach, there was **unanimous** agreement in favour of suggesting the following changes to the PDB for 2009:

- (a) **Sustainable growth** (heading 1 of the financial framework)
 - (i) **Competitiveness for growth and employment** (subheading 1a of the financial framework)
 - limit the increase in commitment appropriations requested in the PDB for a total of EUR 69,83 million for a number of specific budget lines under this subheading, on the basis of past and current budget implementation and realistic capacities for programme implementation;
 - limit the increase in appropriations for subsidies to decentralised agencies in comparison with 2008 (- EUR 8,48 million) and accept a total of 141 new posts;
 - set the level of payment appropriations, reducing the appropriations requested in the PDB by a total of EUR 471,31 million in a **targeted** manner over a series of budget lines, on the basis of an analysis of past and current budget implementation;
 - the margin available under subheading 1a would be EUR 160,34 million.

- (ii) Cohesion for growth and employment (subheading 1b of the Financial Framework)
- accept the PDB as regards commitment appropriations;
 - set the level of payment appropriations, reducing the appropriations requested in the PDB by a total of EUR 250 million. That amount represents a reduction in payment appropriations of EUR 300 million, concentrated in the area of regional competitiveness, representing a correction in budgeting on the basis of available information, and an increase of EUR 50 million for convergence⁵, reflecting the political importance of developing the convergence of states and regions;
 - the margin available under heading 1b would be EUR 14,12 million.

(b) **Preservation and management of natural resources** (heading 2 of the financial framework)

- a limited reduction of EUR 150 million in the commitment and payment appropriations requested in the PDB, applied across the board to all budget lines in Chapter 05 02 (*Interventions in agricultural markets*) except those relating to food programmes, free distribution of fruit and vegetables, promotion measures, other plant products/measures and school milk;
- a reduction of a total of EUR 230 million in the commitment and payment appropriations requested in the PDB for the budget line for clearance of accounts;
- set the level of payment appropriations for rural development, reducing the appropriations requested in the PDB by a total of EUR 115 million, on the basis of available information.

These reductions are in line with the overall approach of keeping payment appropriations under control, which it is proposed should cover both compulsory expenditure (heading 2) and non-compulsory expenditure (subheadings 1a and 1b):

- limit the increase in appropriations for subsidies to decentralised agencies in comparison with 2007 (- EUR 2,11 million) and accept a total of 5 new posts;
- the margin available under heading 2 would be EUR 2 495,38 million.

(c) **Citizenship, freedom, security and justice** (heading 3 of the financial framework)

(i) Freedom, security and justice (subheading 3a of the financial framework)

- limit the increase in commitment appropriations requested in the PDB by a total of EUR 4,25 million for a number of specific budget lines under this heading, on the basis of past and current budget implementation and realistic capacities for programme implementation;

⁵ Under the European Regional Development Fund.

- limit the increase in appropriations for subsidies to decentralised agencies in comparison with 2008 (- EUR 2,15 million) and accept a total of 39,5 new posts, with the appropriations and posts for the Frontex agency, as proposed in the PDB, being accepted;
- set the level of payment appropriations, reducing the appropriations requested in the PDB by a total of EUR 23,73 million for a number of particular budget lines, on the basis of previous and current implementation rates;
- the margin available under subheading 3a would be EUR 39,27 million.

(ii) Citizenship (subheading 3b of the financial framework)

- limit the increase in commitment appropriations requested in the PDB by a total of EUR 6,22 million for a number of budget lines, based on past and current budget implementation and on realistic absorption capacity;
- limit the increase in appropriations for subsidies to decentralised agencies in comparison with 2008 (- EUR 7,79 million) and accept a total of 15 new posts;
- set the level of payment appropriations, reducing the appropriations requested in the PDB by a total of EUR 34,24 million for a number of particular budget headings, on the basis of previous and current implementation rates;
- the margin available under subheading 3b would be EUR 36,28 million.

(d) **The EU as a global partner** (heading 4 of the financial framework)

- an increase in commitment appropriations over and above the PDB by a total of EUR 160 million for Palestine (+ EUR 100 million) and Kosovo (+ EUR 60 million), in view of their political importance. These amounts are entered in the reserve and anticipate a letter of amendment which the Commission has announced in principle, without specifying the amounts involved;
- limit the increase in commitment appropriations requested in the PDB by a total of EUR 44,73 million for a number of budget lines, based on past and current budget implementation and on realistic absorption capacity;
- limit the increase in appropriations for subsidies to decentralised agencies in comparison with 2008 (- EUR 1,53 million);
- set the level of payment appropriations, firstly reducing the appropriations requested in the PDB by a total of EUR 147,12 million for a number of particular budget lines, based on an analysis of budget implementation for 2007 and on alerts for the 2008 budget forecasts, and secondly not including the EUR 244 million proposed in the PDB for the emergency aid reserve;
- the margin available under heading 4 would be EUR 129,83 million to cover unforeseen expenditure.

(e) **Administration** (heading 5 of the financial framework)

- accept the outcome regarding the institutions, as set out in 11489/08 FIN 265;
- approve draft statement No 4 on *recruitment in relation to the 2004 and 2007 enlargements*, as set out in Annex 1 to 11490/08 FIN 266;
- the margin available under heading 5 would be EUR 224,13 million.

(f) **Revenue**

- accept the PDB, subject to the technical adjustments arising from the changes made to expenditure and to staff in the draft budget.

A summary of the outcome of proceedings is set out in the table below:

(in EUR)

Heading	1st reading		Difference from PDB for 2009 (amount)		Difference from budget for 2008 (%)		Margin below existing FF
	Commitments	Payments	Commitments	Payments	Commitments	Payments	
1. Sustainable growth							
1a. Competitiveness for growth and employment	11.111.656.000	9.813.880.500	-78.310.000	-471.310.000	+5,0 %	+0,5 %	160.344.000
1b. Cohesion for growth and employment	48.413.884.669	34.664.134.166	0	-250.000.000	+2,5 %	-14,5 %	14.115.331
Total	59.525.540.669	44.478.014.666	-78.310.000	-721.310.000	+2,9 %	-11,6 %	174.459.331
European Globalisation Adjustment Fund	500.000.000	0	0	0		0,0 %	
2. Preservation and management of natural resources	57.143.619.686	54.337.822.000	-382.110.000	-497.110.000	+2,9 %	+2,1 %	2.495.380.314
of which: market-related expenditure and direct aid	42.480.252.000	42.434.219.000	-380.000.000	-380.000.000	+3,6 %	+3,8 %	2.406.548.000
3. Citizenship, freedom, security and justice							
3a. Freedom, security and justice	832.725.000	572.940.000	-6.400.000	-23.730.000	+14,1 %	+7,3 %	39.275.000
3b. Citizenship	614.723.000	634.770.000	-14.010.000	-34.240.000	-30,4 %	-34,9 %	36.277.000
Total	1.447.448.000	1.207.710.000	-20.410.000	-57.970.000	-10,2 %	-20,0 %	75.552.000
4. The EU as a global partner	7.310.170.360	7.186.802.379	+113.738.360	-148.654.390	+3,4 %	-8,7 %	129.829.640
Emergency aid reserve	244.000.000	0	0	-244.000.000	+2,0 %	-100,0 %	
Total	7.554.170.360	7.186.802.379	+113.738.360	-392.654.390			
5. Administration	7.552.866.286	7.552.866.286	-102.389.696	-102.389.696	+3,8 %	+3,7 %	224.133.714
6. Compensation	209.112.912	209.112.912	0	0	+1,2 %	+1,2 %	887.088
GRAND TOTAL	133.932.757.913	114.972.328.243	-469.481.336	-1.771.434.086	+2,8 %	-4,7 %	
Payment appropriations as a % of GNI		0,89 %					

Conciliation with the European Parliament

Before discussing and establishing the draft budget for the financial year 2009, the Council will hold its customary meeting with a delegation from the European Parliament, under the Interinstitutional Agreement on budgetary discipline and sound financial management. This meeting will enable the Council to provide the European Parliament with information on the main lines of approach emerging from preparatory work and will give the EP delegation an opportunity to respond regarding the main items in the draft budget presented by the Council.

In preparing for the conciliation meeting, a "trialogue" (Presidency, Parliament and Commission) was held in Strasbourg on 10 July 2008.
