



Brussels, 6 November 2012

BACKGROUND¹

ECONOMIC and FINANCIAL AFFAIRS COUNCIL - BUDGET -

Friday 9 November in Brussels

*The Council will start work at 10.00 on Friday 9 November under the chairmanship of Deputy Minister for European Affairs of Cyprus, Mr **Andreas D. MAVROYIANNIS**.*

*The Council is expected to provide guidance to the Cyprus Presidency for the second meeting of the Conciliation Committee on the **EU budget for 2013** starting at 11.00 the same day.*

After the meeting of the Conciliation Committee the Council will resume its session in order to take note of the results and endorse the compromise to be reached.

Unlike the work of the Conciliation Committee the Council meeting will be held in public session.

If the Conciliation Committee reaches agreement on a joint text, the Council and the European Parliament have to formally approve it within 14 days.

The discussions of the Conciliation Committee also include

- **letter of amendment no 1 to the draft budget for 2013** which reduces the amount required under heading 2 (preservation and management of natural resources) by EUR 25.1 million in commitments and payments, in line with a new Commission estimate notably of the agricultural expenditure;
- **draft amending budget no 5 for 2012** aimed at mobilising the EU solidarity fund for an amount of EUR 670.19 million in commitments and payments in favour of Italy after a series of earthquakes in May this year;
- **draft amending budget no 6 for 2012** aimed at increasing this year's budget by EUR 9.0 billion in payments in order to close the gap between the amount agreed last year and the actual implementation;
- the so-called **global transfer** which is designed to meet EUR 419.7 million of the shortfall in payments in the 2012 budget by transfers within the relevant budget chapters.

The Presidency will hold a press conference at the end of the Council meeting (probably in the evening).

Public events and press conferences can be followed by video streaming:

<http://video.consilium.europa.eu>

Video coverage of the event will be available for preview and download in broadcast quality (MPEG4) on www.eucouncil.tv.

¹ This note has been drawn up under the responsibility of the press office

Photos of the event can be found in our photographic library on www.consilium.europa.eu/photo where they can be downloaded in high resolution

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EU DRAFT BUDGET FOR 2013

Ministers will prepare the work for the second meeting of the Conciliation Committee and provide guidance to the Cyprus presidency. If the conciliation succeeds ministers will be called upon to endorse the compromise, pending its formal adoption by the Council and the European Parliament within the following 14 days. If no agreement can be reached ministers will take stock of the results.

Discussions in the Conciliation Committee are aimed at finding a compromise bridging the gap between the Council's position and the European Parliament's amendments on the draft budget for 2013 proposed by the European Commission.

The European Parliament and the Council share the same priority for the 2013 budget: both of them want to boost programmes aimed at strengthening competitiveness and convergence, creating jobs and promoting growth. However, while acknowledging the importance of these measures for helping Europe to emerge from the crisis the Council believes that the budgetary constraints that member states are currently facing need to be taken into account. The Council also considers that sufficient margins have to be kept under the different headings in order to cope with unforeseen needs.

In its position adopted on 24 July, the Council agreed to limit the EU budget for next year to EUR 132.70 billion in payments (corresponding to 0.99% of the EU's Gross National Income (GNI). This represents an increase by 2.79% compared to 2012, which is well above inflation² and reflects the fact that 2013 is the last year of the current multiannual financial framework. As regards commitments, the Council's position amounts to EUR 149.78 billion, representing an increase by 1.27%.

The European Parliament asked for a 6.82%³ increase in payments to bring the total amount to EUR 137.90 billion. The Commission proposed an increase of 6.85% to EUR 137.92 billion.

The European Parliament requested an amount of EUR 151.15 billion in commitments (+2.20%) and EUR 137.90 billion in payments (+6.82%).

The Commission proposed for 2013 an amount of EUR 150.93 billion in commitments and EUR 137.92 billion in payments, leading to an increase by respectively 2.05% and 6.85% compared to 2012.

The other main challenges for finding an overall agreement on the 2013 budget include:

² http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-1_en.pdf, page 10.

³ Taking into account amending budgets 1-4 for 2012.

Sub-heading 1a (competitiveness for growth and employment):

- The European Parliament wishes to finance certain measures (Europe 2020 Strategy, 7th Research Framework Programme, Competitiveness and Innovation Framework Programme, Lifelong Learning programme, including Erasmus) by exceeding the ceiling of the current multiannual financial framework and using the Flexibility Instrument for an amount of EUR 50.00 million.
- The Council insists on respecting the MFF ceilings and disagrees with the use of the Flexibility Instrument.

Sub-heading 1b (Cohesion for growth and employment):

- The European Parliament's and the Council's position diverge mainly on the level of payments: the Council wants to limit them to EUR 47.38 billion (+8.07% compared to the budget for 2012, draft amending budget no 6 for 2012 not included), while the Parliament asks for them to be increased to EUR 48.98 billion (+11.74%), similar to the level of the draft budget of the Commission.

Heading 2 (Preservation and management of natural resources):

- The Parliament wants to increase the Commission's draft budget by EUR 62 million in commitments and payments for some of its priorities (promotion measures, operational funds for producer organisations and school milk). On the other hand, the Parliament wishes to decrease some budget lines for refunds and clearance of accounts in total by EUR 106 million compared to the draft budget. Overall, the Parliament's position remains more than EUR 30 million below the draft budget.
- The Council's position provides for a reduction of the amounts requested in the draft budget by EUR 336.07 million in commitments, comprising EUR 264 million on the budget line for clearance of accounts, and by EUR 490.57 million in payments out of which EUR 264 million on clearance of accounts and EUR 100 million in the field of rural development.

Sub-heading 3a (Freedom, security and justice):

- The Parliament wishes to put the appropriations related to internal security into reserve. The Council opposes this amendment.

Sub-heading 3b (Citizenship):

- No major disagreements.

Heading 4 (The EU as a global partner):

- The Parliament wishes to provide additional financial support for some of its priorities (e.g. EUR 100 million in commitments for Palestine). This would increase the amounts under this heading beyond the draft budget of the Commission (by EUR 115.6 million) in commitments only.
- The Council reduced the amounts in the draft budget by EUR 171.70 million in commitments and EUR 1.03 billion in payments.

Heading 5 (Administration):

- Even if it reduces overall EU administrative expenditure in payments by EUR 38.1 million compared with the draft budget, the Parliament is still EUR 108.1 million in payments above the Council's position.

	Description	1		2		3		3-2	
		DB ⁴ 2013		Council's Position on DB 2013		European Parliament's Position on Council's Position 2013		Difference (amount)	
		c/a	p/a	c/a	p/a	c/a	p/a	c/a	p/a
1	SUSTAINABLE GROWTH	70 530 996 883	62 527 845 408	70 054 447 793	59 030 453 016	70 681 649 037	62 595 796 863	+ 627 201 244	+3 565 343 847
	<i>MARGIN</i>	<i>116 003 117</i>		<i>592 552 207</i>		<i>- 34 649 037</i>		<i>- 627 201 244</i>	
1.a	Competitiveness for growth and employment	16 032 047 846	13 552 811 245	15 562 898 756	11 655 162 155	16 173 000 000	13 615 562 700	+ 610 101 244	+1 960 400 545
	<i>MARGIN</i>	<i>90 952 154</i>		<i>560 101 244</i>		<i>- 50 000 000</i>		<i>- 610 101 244</i>	
1.b	Cohesion for growth and employment	54 498 949 037	48 975 034 163	54 491 549 037	47 375 290 861	54 508 649 037	48 980 234 163	+ 17 100 000	+1 604 943 302
	<i>MARGIN</i>	<i>25 050 963</i>		<i>32 450 963</i>		<i>15 350 963</i>		<i>- 17 100 000</i>	
2	PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES	60 307 511 416	57 964 879 132	59 971 444 488	57 474 312 204	60 274 311 416	57 930 279 132	+ 302 866 928	+ 455 966 928
	<i>MARGIN</i>	<i>981 488 584</i>		<i>1 317 555 512</i>		<i>1 014 688 584</i>		<i>- 302 866 928</i>	
	Of which: market related expenditure and direct aids	44 130 348 610	44 112 931 204	43 795 348 610	43 776 431 204	44 086 548 610	44 069 131 204	+ 291 200 000	+ 292 700 000
	<i>MARGIN</i>	<i>808 641 390</i>		<i>1 143 641 390</i>		<i>852 441 390</i>		<i>- 291 200 000</i>	
3	CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE	2 081 641 200	1 574 600 126	2 057 175 617	1 514 079 543	2 105 891 200	1 591 770 126	+ 48 715 583	+ 77 690 583
	<i>MARGIN</i>	<i>294 358 800</i>		<i>318 824 383</i>		<i>270 108 800</i>		<i>- 48 715 583</i>	
3.a	Freedom, security and justice	1 392 227 200	928 328 376	1 377 280 417	877 353 593	1 398 727 200	931 298 376	+ 21 446 783	+ 53 944 783
	<i>MARGIN</i>	<i>268 772 800</i>		<i>283 719 583</i>		<i>262 272 800</i>		<i>- 21 446 783</i>	
3.b	Citizenship	689 414 000	646 271 750	679 895 200	636 725 950	707 164 000	660 471 750	+ 27 268 800	+ 23 745 800
	<i>MARGIN</i>	<i>25 586 000</i>		<i>35 104 800</i>		<i>7 836 000</i>		<i>- 27 268 800</i>	
4	EU AS A GLOBAL PLAYER	9 467 168 711	7 311 588 051	9 295 470 596	6 277 295 936	9 583 118 711	7 272 888 051	+ 287 648 115	+ 995 592 115
	<i>MARGIN</i>	<i>391 946 289</i>		<i>563 644 404</i>		<i>275 996 289</i>		<i>- 287 648 115</i>	
5	ADMINISTRATION	8 544 418 496	8 545 518 496	8 398 233 899	8 399 333 899	8 506 866 568	8 507 416 568	+ 108 632 669	+ 108 082 669
	<i>MARGIN</i>	<i>636 581 504</i>		<i>782 766 101</i>		<i>674 133 432</i>		<i>- 108 632 669</i>	
6	COMPENSATIONS	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.		
GRAND TOTAL		150 931 736 706	137 924 431 213	149 776 772 393	132 695 474 598	151 151 836 932	137 898 150 740	+1 375 064 539	+5 202 676 142
	<i>MARGIN</i>	<i>2 420 378 294</i>	<i>6 182 568 787</i>	<i>3 575 342 607</i>	<i>11 301 525 402</i>	<i>2 200 278 068</i>	<i>6 208 849 260</i>	<i>-1 375 064 539</i>	<i>-5 092 676 142</i>
APPROPRIATIONS AS % OF GNI		1,13%	1,03%	1,12%	0,99%	1,13%	1,03%		

⁴ DB = draft budget.

The Conciliation Committee is composed of the 27 members of the Council and an equal number of members of the European Parliament. According to the Lisbon Treaty, the Conciliation Committee has 21 days (until 13 November) to reach an agreement on a joint text. If the conciliation succeeds, the Council and the European Parliament have 14 days to formally approve the agreement, following the finalisation of the text (*see flow-chart on the last page*).

Should the budget not be adopted at the beginning of 2013, a sum equivalent to not more than one twelfth of the budget appropriations for 2012 or of the draft budget proposed by the Commission, whichever is smaller, may be spent each month for any chapter of the budget, in line with Article 315 of the Treaty on the Functioning of the EU.

LETTER OF AMENDMENT NO 1 TO THE DRAFT BUDGET FOR 2013

Letter of amendment no 1 to the draft EU budget for 2013 ([15222/12](#)), the "**agricultural letter of amendment**", forms part of the discussions on next year's Union budget.

Letter of amendment no 1 is aimed at reducing the amount proposed in the draft budget heading 2 by EUR 25.1 million in commitments and payments. This is the result of:

- A reduction of the agricultural expenditure by EUR 29.8 million in line with a new Commission estimate. More concretely, higher needs for intervention measures in agricultural markets, direct aids and audit of agricultural expenditure are more than compensated by a higher than expected carry-over of assigned revenue from 2012.
- An increase of the amount for international fisheries agreements by EUR 4.7 million, resulting from an increase of the budget line for international fisheries agreements by EUR 18.5 million which is partially offset by a decrease in the reserve line by EUR 13.8 million.

Neither the Council nor the European Parliament have taken a formal position on this letter of amendment yet.

DRAFT AMENDING BUDGETS TO THE EU BUDGET FOR 2012

Draft amending budgets no 5 and 6 for 2012 will also be addressed by the Conciliation Committee.

Draft amending budget no 5 for 2012 ([13960/12](#)) is aimed at deploying the EU solidarity fund for EUR 670.19 million in commitments and payments to provide financial assistance to Italy hit by a series of earthquakes in May 2012. The Commission proposed to finance the amount by increasing the overall level of commitments and payments in the 2012 budget.

The Council agrees that financial assistance should be provided to Italy as soon as possible but has not yet taken a position on the source of its financing. The European Parliament's Committee on Budgets adopted a report suggesting to accept the Commission's proposal.

Draft amending budget no 6 for 2012 ([15272/12](#)) is aimed at increasing this year's budget by EUR 9.0 billion in payments in order to close the gap between the amount agreed last year and the actual implementation. The proposed increase concerns the following headings and sub-headings:

- sub-heading 1a: increase of EUR 625.3 million spread over various programmes: 7th Research Framework Programme (+ EUR 344.8 million), Lifelong Learning programme (+ EUR 180 million), space and security research (+ EUR 78 million), European Globalisation Adjustment Fund (+ EUR 17.7 million), European satellite navigation programmes EGNOS and Galileo (+ EUR 4.8 million).
- sub-heading 1b: increase of EUR 7.17 billion out of which EUR 3.09 billion for the European Social Fund, EUR 2.72 billion for the European Regional Development Fund and EUR 1.35 billion for the Cohesion Fund.
- heading 2: additional amount of EUR 1.17 billion in order to fill the needs for the rural development programmes (+ EUR 1.04 billion) and to cover the completion of the programmes of the European Agricultural Guidance and Guarantee Fund for 2000-2006 (+ EUR 111 million) and the animal disease eradication and monitoring programmes (+ EUR 17 million).
- sub-heading 3a: increase of EUR 10 million for the European Return Fund.
- heading 4: additional amount of EUR 67.1 million out of which EUR 23.7 million for humanitarian aid programmes, EUR 17.0 million for the food aid programmes, EUR 14.4 million for the international cooperation programmes on health and EUR 12.0 million for the European neighbourhood policy.

As regards commitments, the Commission proposes to reduce the amount of the 2012 budget by EUR 133.4 million.

Draft amending budget no 6 for 2012 also includes a revised forecast for own resources with a net increase of the EU revenue by EUR 3.08 billion. This is the result of an increase in the revenue from fines and interest payments (+ EUR 3.53 billion), a decrease of the forecasted traditional own resources (- EUR 950 million) and an increase of estimate of the own resources based on the value added tax (VAT) and gross national income (GNI) by EUR 497 million.

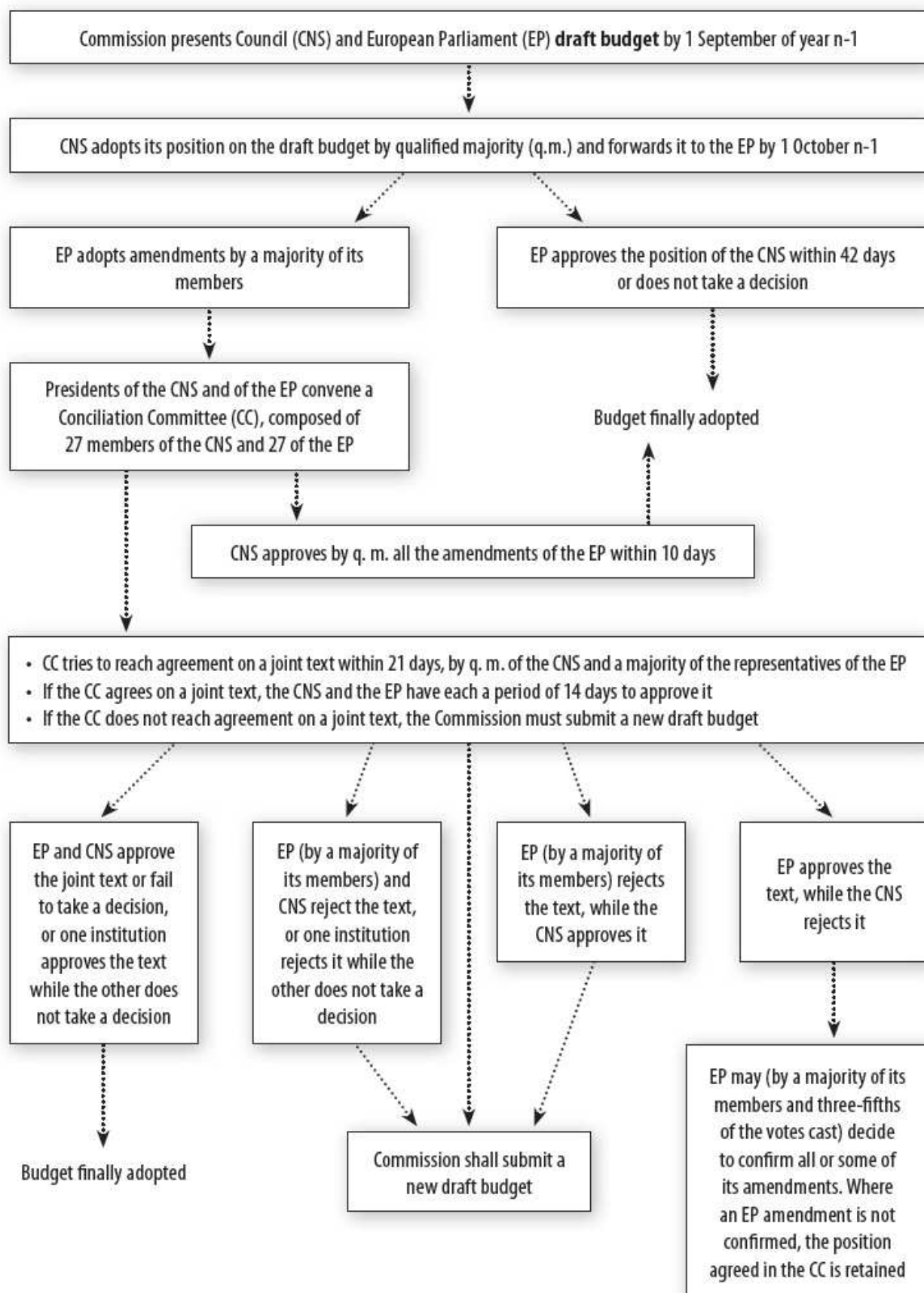
As a result, the net effect of this draft amending budget for member states' contributions to the EU budget would therefore amount to EUR 5.9 billion.

Neither the Council nor the European Parliament have taken a formal position on this draft amending budget yet.

GLOBAL TRANSFER FOR THE EU BUDGET 2012

The global transfer ([14296/12](#)) is about rebalancing payments within the current budget year in order to meet a part of the shortfall in payments in this year's budget (EUR 419.7 million). Appropriations on budget lines which are expected to be under-utilised by year-end are transferred to budget lines within the same budget chapter where demand for payments exceeds availabilities. Overall, 45 budget lines are decreased and 65 reinforced, mainly under heading 4 and sub-heading 1a. The budget lines with the most important reinforcement proposed are humanitarian aid (+ EUR 64.3 million), food aid (+ EUR 34 million), financial assistance to Palestine (+ EUR 30 million) and support for NGOs (+ EUR 30 million).

Budget procedure under the Lisbon Treaty (Art. 314)



CC = Conciliation Committee

CNS = Council

EP = European Parliament

q.m. = qualified majority