



COUNCIL OF  
THE EUROPEAN UNION



## Council conclusions on the budget guidelines for 2011

*3003rd ECONOMIC and FINANCIAL AFFAIRS  
Council meeting  
Brussels, 16 March 2010*

The Council adopted the following conclusions:

### *"Introduction*

The 2011 budgetary procedure will play a crucial 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.

The consequences of the economic crisis will still impact on 2011. Considering that most of the Member States find themselves in an excessive deficit procedure, the budget for 2011 will more than ever have to take into account economic and budgetary constraints at national level. The implementation of agreed EU programmes and actions, including those aiming at tackling the effects of the crisis, should continue. Therefore reallocations allowing the best use of available resources should be a central element of the 2011 budgetary procedure.

At the same time, the 2011 budgetary procedure is the first procedure under the Lisbon Treaty. This new 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 2011 within the deadlines set out by the new Treaty.

# P R E S S

## ***Implementation of the Lisbon Treaty***

As regards the new budgetary procedure under the Lisbon Treaty, the Council underlines the importance of a good collaboration between the two arms of the budgetary authority and with the Commission. The Council wishes in this context to recall the good spirit of cooperation that has prevailed during budgetary procedures in previous years and stresses the importance of strengthening this cooperation in order to secure a smooth and successful budgetary procedure in the context of the Lisbon Treaty.

The need for strong cooperation is reinforced in a situation where both arms of the budgetary authority will only have a single reading of the draft budget (DB), and where an agreement has to be reached during the conciliation procedure on all expenditure. The two arms of the budgetary authority should therefore coordinate their positions as early as possible during the procedure.

As regards the implementation of other budgetary aspects of the Lisbon Treaty, the Council considers the Council regulation laying down the multiannual financial framework (MFF) for 2007-2013, the new Interinstitutional Agreement (IIA) and the "fast track" revision of the Financial Regulation related to the Lisbon Treaty as a purely technical exercise based on an unchanged content of the IIA on budgetary discipline and sound financial management of 17 May 2006<sup>1</sup>.

An agreement between the institutions on the functioning of the conciliation procedure needs to be found before the beginning of the 2011 budgetary procedure.

## ***Key elements of the budget for 2011***

The Council recalls the importance of maintaining an overall budgetary discipline. The budget for 2011 should remain strictly within the limits fixed in the current 2007-2013 financial framework and sufficient margins should be left under all the ceilings of 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.

The Council underlines the fact that the DB presented by the Commission is the starting point of the budgetary procedure and therefore it must set the tone for a realistic budgeting.

Commitment and payment appropriations should be set so as to reflect real and well defined needs. The Council requests the Commission to continue to take into account not only forecasts but also past trends of implementation as well as absorption capacity in all sectoral policies when proposing appropriations.

The Council stresses the great importance of keeping payment appropriations firmly under control, taking into account the payment profile included in the financial framework. It also notes with great concern the volume of outstanding commitments and considers that the relation between the level of commitment and payment appropriations must be carefully weighed against the absorption capacity. 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.

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<sup>1</sup> OJ C 139 of 14.6.2006, p. 1.

The Council recalls the importance of reallocation, as a primary tool for budgetary flexibility, in order to allow the budgetary authority to adapt the appropriations in a balanced and realistic way.

The Council identifies the following elements as crucial in preparing the budget for 2011:

- Concerning Competitiveness for Growth and Employment, the Council underlines the importance of measures contributing to economic recovery, notably in the field of research and innovation. Special attention should be given to the timely implementation of agreed measures in the context of the European Economic Recovery Plan.
- As regards Cohesion for Growth and Employment, the Council considers that payments from Structural Funds and the Cohesion Fund should be at cruising speed in 2010 and 2011. It urges the Commission and Member States to maintain this momentum in order to avoid recurrent under-implementation in this area.

All actors involved should continue their efforts in order to establish a realistic and accurate level of payments for structural measures, and pursue an efficient and effective implementation of the 2007-2013 programmes.

- Concerning CAP expenditure, the Commission is invited to present realistic and clearly defined forecasts already in its DB and then in its "*ad hoc*" letter of amendment on agriculture, taking into account past implementation and foreseeable market prices evolution at European and international level. The "*ad hoc*" letter of amendment on agriculture should be presented in due time before the conciliation meeting.

Particular attention should be given to ensuring that payment appropriations for expenditure related to rural development are accurate.

- As regards Citizenship, Freedom, Security and Justice, the Council recalls the importance of allocating sufficient resources to EU policies such as immigration.
- As far as External Actions are concerned, taking into account the present and forthcoming challenges, both at the economic level and in terms of international stability, the Council firmly believes that the role of the European Union as a global player must be reaffirmed and that the budget for 2011 should have adequate means to match the Union's ambitions. In this respect, the Council stresses 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 recalls the importance of the setting up of the European External Action Service (EEAS), which should be guided as stated in the guidelines laid down by the European Council of 29 and 30 October 2009 by the principle of cost-efficiency aiming towards budget neutrality.

- As for 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. The Council 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. This is even more important in a situation where the Lisbon Treaty assigns new tasks to institutions.

The Council expects all the institutions to provide in advance all the necessary information for a clear, comprehensive, and consolidated picture of all administrative expenditure, including administrative expenditure financed under other headings and sub-headings of the MFF, thus allowing the budgetary authority to evaluate the situation and take well-founded decisions on the allocation and use of resources. Due attention should be given to the comprehensiveness and comparability over time and between institutions of information provided.

The Council recalls the content of the joint statement on the building policy of EU Institutions and bodies agreed during the 2010 budgetary procedure<sup>2</sup> and expects all institutions and bodies to comply with its content.

The Council is concerned about the evolution in appropriations for pensions and their impact on the administrative expenditure in the future. In this context, it is still waiting for the publication of the study of the budgetary implications of pension costs covering the next 30 years<sup>3</sup> and will examine it closely.

The Council reiterates the importance it attaches to the recruitment process in the context of enlargement and expects all institutions to take the necessary steps.

- As far as the European Union's decentralised agencies are concerned, 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. It expects the Commission to continue providing a comprehensive picture concerning decentralised agencies, including their building policy, in due time for the DB for 2011.

It expects to receive the evaluation of the agencies as soon as possible in order to take it into account during the 2011 budgetary procedure.

The Council strongly urges the Commission to continue to take into account agencies' unused appropriations when establishing the DB, with the aim of bringing down the agencies' annual surpluses. It urges the Commission as well 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.

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<sup>2</sup> Doc. 16329/09 BUDGET 72.

<sup>3</sup> Doc. 15643/08 STAT 34 FIN 495, point 4.

Regarding executive agencies, the Council will continue to monitor closely their activities, financing and staffing.

### ***Importance of realistic budget estimates***

The Council urges the Commission and the Member States to pursue their efforts to deliver better forecasts, while acknowledging the progress achieved so far. In this context, the Council points out once again that, while Member States are committed to present estimates under shared management as accurately as possible, the Commission remains ultimately responsible for ensuring that the appropriations introduced in the DB reflect genuine needs and implementation capacity.

In this respect, the Council asks the Commission to deliver, together with its DB, the underlying assumptions on which the figures for each heading and sub-heading are based.

The Council acknowledges the progress made by the Commission in the establishment of the preliminary draft budget (PDB) estimates and exhorts it to pursue its efforts to reduce to the minimum the recurring significant difference between the PDB and the outturn, as illustrated in the Annex. An accurate DB, together with a constant monitoring and improvement of budget implementation are essential to avoid the significant under-execution of funds that continue to occur, and to allow the Member States to precisely anticipate the level of their contribution to the EU budget. Moreover, it would limit the recourse to corrective budgetary tools such as amending budgets to the strict minimum, thus avoiding their unexpected impact on national budgets.

As far as revenues are concerned, the Council strongly believes that increasing transparency concerning assigned revenue is part of a sound financial management of EU funds. It calls on all the institutions as well as agencies and other bodies to continue to provide all the requested information on a regular basis and in time for the DB for 2011.

### ***Budgetary documents***

The Council recalls the importance of the structure and content of the various documents accompanying the DB, which should be as transparent, simple and concise as possible. This would reinforce the usefulness of these documents for the purposes of budgetary decision-making.

The Council acknowledges the usefulness of the Commission's "Budget Forecast Alert" (BFA) system, which should allow adjustments to the level of appropriations in a more realistic and rigorous way. It expects the BFA information to be delivered sufficiently in time to allow its effective use at each stage of the 2011 budgetary procedure.

As far as the "Activity Based Budgeting" (ABB) is concerned, the Council continues to point out that high quality Activity Statements and timely financial information on spending proposals are crucial for the budgetary authority to establish, confirm or modify budgetary priorities. Activity Statements should 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. A better link with the various headings and sub-headings of the MFF would help the budgetary decision-making process.

### ***Conclusion***

The Council recalls that the budget is one of the most significant tools to guarantee the accountability of the European Union towards its citizens. It is fully aware that an accurate and accountable use of the EU resources is one of the essential means to reinforce the trust of the European citizens. Therefore, it attaches the greatest importance to these guidelines and expects them to be fully taken into account already in the DB for 2011.

These guidelines will be forwarded to the European Parliament and the Commission as well as to the other institutions."

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