

## **EU budget 2015 gets Council approval**

A package comprising the 2015 EU budget and the pending draft amendment budgets for 2014, notably to meet outstanding payments, was endorsed by the Council's Permanent Representatives Committee on 9 December.

"The budget agreement approved today squares the circle between three crucial challenges: the need to address the backlog of payments, the importance not to jeopardise member states' efforts to consolidate their public finance and the necessity to provide indispensable stimuli for creating jobs and generating growth in the future", said Pier Carlo Padoan, the Italian Minister for Finance and President of the Council.

As regards the 2015 budget, the compromise reached sets the **total payments at € 141.2 billion** and **total commitments at € 145.3 billion**. This leaves sufficient margins under the ceilings of the multi-annual financial framework (MFF) 2014-2020 to allow the EU to react to unforeseen events. The **payments for activities such as research, innovation and education increase by more than 38%** or € 4.4 billion compared to the 2014 EU budget as adopted last year.

The support measures for farmers hit by the Russian food ban are financed through higher than expected financial surpluses and corrections within the European Agricultural Guarantee Fund rather than by the **agricultural crisis reserve**. To remedy damages caused by natural disasters payments of a total amount of € 126.7 billion are mobilised under the **EU solidarity fund** to the benefit of Serbia (€ 60.2 million), Slovenia (€ 18.4 million), Croatia (€ 17.6 million), Italy (€ 16.3 million), Bulgaria (€ 10.5 million) and Greece (€ 3.7 million).

Headings	2015 EU budget (in mln of EUR)	
	Commitments	Payments
<b>1. Smart and inclusive growth</b>	<b>66,782</b>	<b>66,923</b>
- 1a. Competitiveness for growth and jobs	17,552	15,798
- 1b. Economic, social and territorial cohesion	49,230	51,125
2. Sustainable growth	58,809	55,999
3. Security and citizenship	2,147	1,860
4. Global Europe	8,408	7,422
5. Administration	8,660	8,659
<b>Special instruments</b>	<b>515</b>	<b>352</b>
<b>TOTAL</b>	<b>145,322</b>	<b>141,214</b>

With regard to the 2014 budget the compromise provides for an increase of payments by € 3.5 billion to tackle the unprecedented scale of **unpaid bills**. This brings the total payments in this year's budget to € 139.0 billion. The additional amount is financed by mobilising the contingency margin for an amount of € 3.2 billion and using € 361 million below the MFF ceiling. The increase in payments is more than offset by additional revenue from fines, the financial surplus from 2013 and the revised forecast of own resources. In addition, the use of scarce resources is optimised by redeploying € 30 million from budget lines on which the implementation rate is currently particularly low.

To avoid a similar scope of outstanding payments in future years care has been taken to limit as far as possible the difference between commitments and payments, which in 2015 amounts to € 4.1 billion (compared to more than € 18.0 billion in some previous years).

The package deal also includes the European Parliament's commitment to provide its opinion on the revised **own resources regulation** during its December plenary session, allowing the Council to adopt the regulation in a timely manner. The amended regulation allows member states to defer their payments which are due to a revised forecast of own resources by September 2015.

## Next steps

The Parliament's Committee on Budgets is expected to confirm the agreement on 11 December. The two arms of the budgetary authority then need to formally adopt the compromise. The Council is due to proceed to this final step on 12 December and the Parliament on 17 December.

## Glossary and background

**Commitments** are legal promises to spend money on activities whose implementation extends over several financial years. **Payments** cover expenditure arising from commitments entered into the EU budget during current and preceding financial years.

The **contingency margin** is a new flexibility mechanism provided for by the MFF 2014-2020 as a last resort instrument. Its effect is to increase the MFF payment ceiling of the current year and to decrease the payment ceilings of the following years by a corresponding amount. The Council and the Parliament now agreed that the amount mobilised via the contingency margin in this year's budget includes € 350 million from the "special instruments" for which they will decide at a later stage whether and to what extent their payments are financed within or above the MFF ceiling.

The MFF regulation also provides for the following **special instruments**: the emergency aid reserve, the EU solidarity fund, the flexibility instrument and the European globalisation adjustment fund. Their purpose is to allow the EU to react to unforeseen circumstances or to finance expenditure for clearly specified purposes. While the MFF regulation puts the commitments for these special instruments above the MFF ceilings it doesn't specify whether the payments for these instruments have to be financed within or above the ceilings.

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