



Brussels, 9 July 2009

**BACKGROUND NOTE <sup>1</sup>**  
***ECONOMIC AND FINANCIAL AFFAIRS COUNCIL (Budget)***  
**Brussels, 10 July 2009**

*The Council will start work at 10.00 on Friday 10 July in order to prepare for the usual conciliation meeting, scheduled for 11.00, with a delegation from the European Parliament.*

*The Council will be chaired by **Mr Hans Lindblad**, State Secretary to the Swedish Ministry for Finance.*

*At the close of the conciliation meeting with the European Parliament, the Council will establish the draft 2010 budget, closing herewith its first reading on the preliminary draft budget submitted by the Commission.*

*On the basis of the preparatory work carried out by the Budget Committee, the Permanent Representatives Committee has reached **unanimous** agreement on the draft budget for 2010.*

*Against the background of the current economic and financial crisis, this agreement seeks to strike a sound balance between targeted cuts in some areas and the financing of political priorities such as measures stimulating growth and employment. It takes into account the execution rate of the last years and leaves sufficient margins under the different headings of the financial framework in order to cope with unforeseen budgetary needs.*

*Compared with the preliminary draft general budget of the European Union for 2010, the agreement of the Permanent Representatives Committee foresees to reduce the commitment appropriations by a total of EUR 612.90 million, leaving a margin of EUR 2 373.64 million under the total ceiling of the financial framework. The Council plans to reduce the payment appropriations by a total of EUR 1 794.90 million.*

*The financing of the second part of the European Economic Recovery Plan of EUR 2.4 billion does not form part of the draft 2010 budget; according to the agreement between the Council and the European Parliament, this amount will be secured through a compensation mechanism at the conciliation of the 2010 budgetary procedure within the second reading.*

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

*The Presidency will hold a press conference at the end of the meeting (+/- 13h00).*

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<sup>1</sup> This note has been drawn up under the responsibility of the Press Service.

## **Preliminary draft general budget of the European Union for 2010**

The preliminary draft general budget of the European Union for 2010 (PDB 2010)<sup>1</sup> amounts to:

- EUR 138 557 146 964 in **commitment** appropriations;
- EUR 122 315 806 412 in **payment** appropriations.

Compared with the 2009 budget<sup>2</sup>, these amounts represent a 3.52 % increase in commitment appropriations and a 5.36 % increase in payment appropriations.

### **OUTCOME OF THE PREPARATORY WORK IN THE COUNCIL**

The unanimous agreement reached in the Budget Committee and confirmed by the Permanent Representatives Committee on 2 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 2010 budget in the Council conclusions adopted in March 2009 ([6767/1/09 REV 1](#))<sup>3</sup>;
- to establish a draft budget that is realistic and comprehensively balanced, complying with budgetary discipline and sound financial management;
- to provide adequate funding for the European Union's various priorities, determining appropriations on the basis of the budget implementation rate in 2008, budget forecast alerts in 2009 and realistic absorption capacities;
- to reject new posts in the EU administration and in decentralised agencies, except for new agencies foreseen in 2010 and the European Agency for the Management of Operational Cooperation at the External Borders (FRONTEX);
- not to adopt expenditure relating to the implementation of the Lisbon Treaty;
- to leave adequate margins under the ceilings of the headings of the financial framework, with the exception of sub-heading 1b, in order to be able to cope with unforeseen situations.

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<sup>1</sup> <http://eur-lex.europa.eu/budget/www/index-en.htm>

<sup>2</sup> As adopted on 18 December 2008, see <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2009:069:SOM:EN:HTML>

<sup>3</sup> This and other documents can be found in the public register of the Council by typing in the corresponding number, see <http://www.consilium.europa.eu/showPage.aspx?id=549&lang=en>

**The draft budget as to being approved by the Council amounts to:**

- **EUR 137 944 243 872 in commitment appropriations,**
- **EUR 120 520 906 320 in payment appropriations.**

Compared with the 2009 budget<sup>1</sup>, these amounts represent a 3.06 % increase in commitment appropriations and a 3.81 % increase in payment appropriations.

On the basis of the above approach, there is **unanimous** agreement for suggesting the following changes to the PDB 2010:

**(a) Sustainable growth** (heading 1 of the financial framework)

(i) Competitiveness for growth and employment (sub-heading 1a of the financial framework)

With regard to **commitment appropriations**, the Council wants to:

- reduce the amount requested in the PDB by a **total** of EUR 99.82 million;
- diminish the appropriations for a number of specific budget lines under this heading by EUR 88.76 million, on the basis of past and current budgetary implementation and realistic absorption capacities;
- cut the subsidies for decentralised agencies by EUR 11.06 million, as a result of not accepting new posts for existing agencies; the Council accepted only 35 posts for the two new agencies foreseen in 2010, the Agency for the Cooperation of Energy Regulators (ACER) and the Body of European Regulators for Electronic Communications (BEREC);
- let a margin of EUR 218.41 million under this sub-heading.

With regard to **payment appropriations**, the Council targets a **total** reduction of EUR 408.33 million in the amounts requested in the PDB on a number of budget lines, on the basis of an analysis of the 2008 budget implementation and the 2009 budget forecast alerts.

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<sup>1</sup> As adopted on 18 December 2008, see <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2009:069:SOM:EN:HTML>

(ii) Cohesion for growth and employment (sub-heading 1b of the financial framework)

The Council intends to accept the PDB as regards **commitment appropriations**; the margin would amount to EUR 11.91 million.

Concerning **payments appropriations**, the Council wants to reduce the amounts requested in the PDB for structural funds and the completion of the 2000-2006 structural policy programmes by a **total** of EUR 293.10 million.

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

With regard to **commitment appropriations**, the Council wants to:

- reduce the amounts requested in the PDB by a **total** of EUR 363.37 million, taking into account past and current budget implementation as well as available information on some specific agricultural areas;
- spread this reduction over the budget line for clearance of accounts (EUR 230.00 million), the chapter for interventions in agricultural markets (EUR 118.77 million) and various other budget lines (EUR 14.60 million);
- let a margin of EUR 1 472.67 million.

Concerning **payment appropriations**, the Council intends to:

- reduce the amount in the PDB by a **total** of EUR 491.48 million, on the basis of past and current budget implementation;
- diminish the amounts foreseen for clearance of accounts by EUR 230.00 million, for the chapter for interventions in agricultural markets by EUR 118.77 million, for rural development by EUR 98.00 million and for various other budget lines by EUR 44.71 million;
- reject the request for new posts for decentralised agencies;
- review the amounts for heading 2 in the light of the Autumn letter of amendment.

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

(i) **Freedom, security and justice** (sub-heading 3a of the financial framework)

Concerning **commitment appropriations**, the Council wants to:

- reduce the amounts of the PDB by a **total** of EUR 5.92 million;
- diminish the appropriations for subsidies for decentralised agencies by EUR 3.47 million; this is the result of not accepting new posts for existing agencies; the Council intends to accept only 486 posts for the European Asylum Support Office (EASO), a new agency foreseen in 2010, Frontex and Europol<sup>1</sup>;
- cut the appropriations for a number of specific budget lines under this heading by EUR 2.45 million, on the basis of past and current budget implementation;
- let a margin under sub-heading 3a of EUR 50.73 million.

With regard to **payment appropriations**, the Council targets a **total** reduction of EUR 27.90 million on a number of budget lines, on the basis of an analysis of the 2008 budget implementation and the 2009 budget forecast alerts.

(ii) **Citizenship** (sub-heading 3b of the financial framework)

With regard to **commitment appropriations**, the Council plans to:

- reduce the amounts in the PDB by a **total** of EUR 15.14 million;
- diminish the appropriations for a number of specific budget lines by EUR 11.96 million, on the basis of past and current budget implementation and on realistic absorption capacities;
- cut the appropriations for subsidies for decentralised agencies by EUR 3.18 million, as a result of not accepting new posts for existing agencies;
- let a margin of EUR 33.87 million.

Concerning **payment appropriations**, the Council intends to reduce the **total** amount by EUR 26.19 million in a targeted manner over a series of budget lines, on the basis of an analysis of the 2008 budget implementation and the 2009 budget forecast alerts.

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<sup>1</sup> As from the 1 January 2010, Europol is fully financed from the EU budget, rather than on the current intergovernmental basis. The Council plans to maintain the 436 existing posts of Europol.

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

With regard to **commitment appropriations**, the Council wants to:

- reduce the amounts in the PDB by a **total** of EUR 89.11 million on a number of specific budget lines, on the basis of past and current budget implementation and on the assumption of realistic absorption capacities;
- let a margin of EUR 309.90 million to cover at a later stage additional needs, e.g. the priorities referred to in the European Council conclusions of June 2009.

Concerning **payment appropriations**, the Council intends:

- to diminish the amounts in the PDB by a **total** of EUR 508.35 million;
- to cut the appropriations by EUR 259.46 million in a targeted manner over a series of budget lines, on the basis of an analysis of the 2008 budget implementation and the 2009 budget forecast alerts;
- not to retain the amount proposed in the PDB of EUR 248.89 million regarding the Emergency Aid Reserve.

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

The Council intends to act according to the following principles:

- establish the global increase of the EU administrative expenditure at a level near the inflation rate;
- set the administrative budget of each institution at the appropriate level, taking into account their specificities as well as real and justified needs;
- carry out targeted reductions under certain budgetary lines for all the institutions, taking into account the 2008 budget outturn and real needs;
- insist on the need to fill all vacant posts;
- not accept any new post requested by the institutions for new activities.

On the basis of this approach the Council wants to reduce the **commitment and payment appropriations** in the PDB by a **total** of EUR 39.56 million, letting a margin of EUR 276.15 million under the ceiling of heading 5. In accordance with the "gentlemen's agreement", the amounts for the European Parliament will be approved as they stand.

(f) **Revenue**

The Council intends to accept the PDB subject to the technical adjustments arising from the changes made to expenditure and staff in the draft budget.

A summary of the Council's first reading (including a comparison with the PDB and the budget 2009) is set out in the table below:

(in EUR)

Heading	1st reading		Difference from PDB 2010 (amount)		Difference from budget 2009 (as adopted on 18.12.2008, in %)		Margin below existing FF
	Commitments	Payments	Commitments	Payments	Commitments	Payments	
<b>1. Sustainable growth</b>							
1a. Competitiveness for growth and employment	12 169 589 253	10 573 940 303	-99 821 000	-408 331 000	7.65 <sup>1</sup>	-4.09 <sup>1</sup>	218 410 747
1b. Cohesion for growth and employment	49 382 092 092	36 089 285 000	0	-293 100 000	+1.97	+3.19	11 907 908
<b>Total</b>	<b>61 551 681 345</b>	<b>46 663 225 303</b>	<b>-99 821 000</b>	<b>-701 431 000</b>	<b>+3.08</b>	<b>+1.44</b>	<b>230 318 655</b>
European Globalisation Adjustment Fund	500 000 000		0				
<b>2. Preservation and management of natural resources</b>	<b>58 640 332 302</b>	<b>57 583 424 809</b>	<b>-363 366 000</b>	<b>-491 481 000</b>	<b>+4.49</b>	<b>+9.54</b>	<b>1 472 667 698</b>
of which Market related expenditure and direct aids	43 389 980 768	43 270 686 586	-354 946 000	-355 746 000	+5.49	+5.32	1 356 209 232
<b>3. Citizenship, freedom, security and justice</b>							
3a. Freedom, security and justice	974 270 370	692 113 370	-5 917 000	-27 897 000	+12.77	+12.09	50 729 630
3b. Citizenship	634 128 000	613 530 500	-15 137 000	-26 187 000	-2.59	-9.64	33 872 000
<b>Total</b>	<b>1 608 398 370</b>	<b>1 305 643 870</b>	<b>-21 054 000</b>	<b>-54 084 000</b>	<b>+6.17</b>	<b>+0.71</b>	<b>84 601 630</b>
<b>4. The EU as a global player</b>	<b>7 583 103 270</b>	<b>7 156 270 753</b>	<b>-89 106 000</b>	<b>-259 466 000</b>	<b>-3.36</b>	<b>-14.03</b>	
Emergency Aid Reserve	248 882 000	0	0	-248 882 000	0.00	-100.00	
<b>Total</b>	<b>7 831 985 270</b>	<b>7 156 270 753</b>	<b>-89 106 000</b>	<b>-508 348 000</b>	<b>-3.36</b>	<b>-14.03</b>	<b>309 896 730</b>
<b>5. Administration</b>	<b>7 811 846 585</b>	<b>7 812 341 585</b>	<b>-39 556 092</b>	<b>-39 556 092</b>	<b>+1.44<sup>1</sup></b>	<b>+1.457<sup>1</sup></b>	<b>276 153 415</b>
<b>6. Compensations</b>	<b>p.m.</b>	<b>p.m.</b>			<b>-100.00</b>	<b>-100.00</b>	
<b>GENERAL TOTAL</b>	<b>137 944 243 872</b>	<b>120 520 906 320</b>	<b>-612 903 092</b>	<b>-1 794 900 092</b>	<b>+3.06</b>	<b>+3.81</b>	<b>2 373 623 128</b>
Payment appropriations, as a % of GNI	1.17%	1.02%					

<sup>1</sup> These figures do not take into account the change of the classification of EUR 5.8 million for the European Institute for Innovation and Technology (EIIT) from heading 5 to sub-heading 1a from budget year 2010.

## **Conciliation with the European Parliament**

Before discussing and establishing the draft budget for the financial year 2010, 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 "trilogue" (Council, Parliament and Commission) was held in Brussels on 7 July 2009.

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