



EU Budget Expenditure

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Explanatory meeting on the Acquis with Albania and North Macedonia

Disclaimer: these slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content is subject to further development of the acquis and interpretation by the Court of Justice of the European Union'

Outline

- Main budgetary rules and financial provisions in the Treaty on the Functioning of the European Union (TFEU)
- The annual budget procedure as established by the Treaty of Lisbon
- Structure of the budget and spending priorities in Budget 2020

Main budgetary rules and financial provisions in the TFEU (I)

Articles 310 – 325 (ex Articles 268 – 280)

- Financial provisions (Art. 310)
 - § 3: the implementation of expenditure shown in the budget shall require the prior adoption of a legally binding Union act providing the legal basis for its action and for the implementation of the corresponding expenditure
- Own resources of the Union (Art. 311)
 - § 3: implementing Regulation for the Union's own resources system
- Multiannual Financial Framework (Art. 312)
 - Covers at least five years
 - Annual ceilings for broad categories of expenditure (headings)

Main budgetary rules and financial provisions in the TFEU (II)

- Annual budget (Art. 313 – 316) (NB: Art 323)
- Implementation of the budget and discharge (Art. 317 – 319)
 - Cooperation with Member States
- Common provisions (Art. 320 – 324)
 - Financial Regulation (Art. 322, § 1)
 - Inter-institutional cooperation (Art. 324)
- Combating fraud (Art. 325)
 - All institutions, bodies, offices and agencies
- Full text of the Treaty on the Functioning of the European Union
<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12012E/TXT>

Budgetary principles

FR Art. 6 – 38

Each legislative act implementing the budget has to comply with the following budgetary principles, in order to ensure democratic control

- Unity & accuracy
- Annuality
- Equilibrium
- Unit of account (€)
- Universality
- Specification
- Sound financial management
- Transparency

Unity & accuracy

- The budget comprises the revenue & expenditure of the Union and Euratom
 - Not included:
 - European Development Fund
 - EU agencies and other EU bodies (published separately in OJ)
- It records the guarantee for borrowing and lending operations entered into by the Union, including the European Stability Mechanism (ESM), European Fund for Strategic Investments (EFSI) and Balance of Payment (BoP) facility operations

Annuality

- Appropriations entered in the budget shall run from 1 January until 31 December (exception: carryovers)
- However, the EU budget needs to engage in multiannual operations: commitments must cover a period longer than one year
- The budget shall therefore contain differentiated appropriations with commitments and payments authorised for the year
- Some expenditure is covered by non-differentiated appropriations (mostly agriculture and administration)

Commitment appropriations, payment appropriations, RAL

- Commitment appropriations define the new legal obligations that are signed during the year (new contracts)
- Payment appropriations define the level of payments the Commission makes based on these commitments
 - Corresponding to the cash flows that have to be financed by the Member States into the EU budget, the Council tends to limit the rate of increase of the payment appropriations
- Most budget lines are differentiated, meaning the commitment appropriations are not at the same level as payment appropriations
 - The sum of commitments agreed but not yet turned into payments ("unpaid contracts") is called the "Reste à Liquider" (RAL)
 - At the end of 2018, RAL amounted to EUR 281 billion

Equilibrium and unit of account

- Equilibrium
 - In the adopted budget, revenue and expenditure must be exactly in balance
 - Unlike Member States, the Union is not allowed to borrow to cover its expenditure
 - As absolute authorised ceilings, actual payments cannot exceed the budget and are usually under-implemented (because of the difficulty of making transfers)
 - The (positive) balance is to be budgeted as revenue for the following year
- Unit of account
 - Budget drawn up, implemented and accounts to be presented in euro

Universality and specification

- Universality
 - Total revenue shall cover total appropriations for payments, no expenditure thus depending on a given revenue
 - Exception: assigned revenue
 - All revenue and expenditure shall be entered in full in the budget without any adjustment against each other
- Specification
 - Appropriations are earmarked by the budgetary authority (BA) for specific purposes, by title, chapter, article and item
 - Transfer of appropriations between titles and chapters are subject to BA authorisation
 - Exception: 10% flexibility and end of year transfer

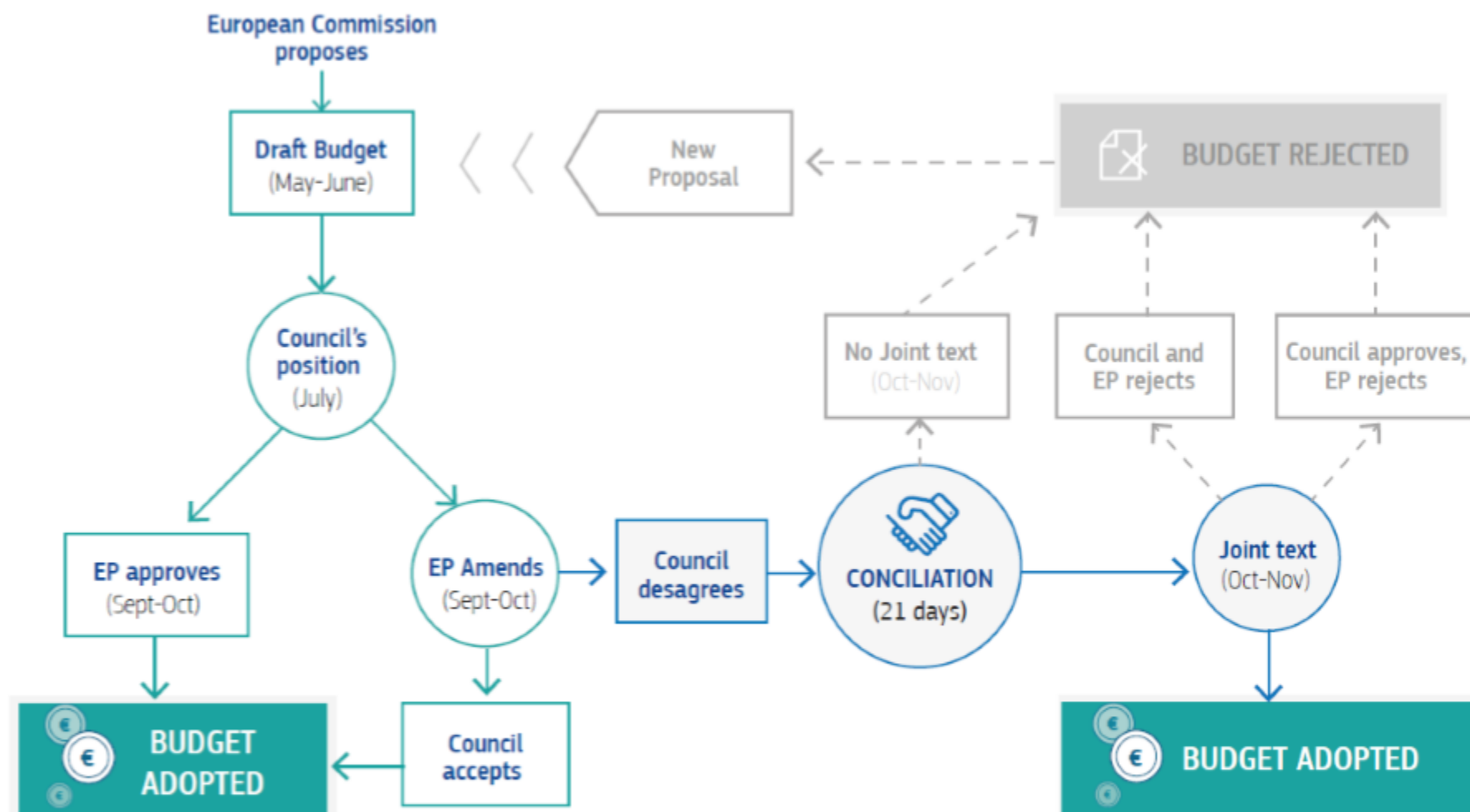
Sound financial management

- Sound financial management as defined in Art. 30 of the Financial Regulation
 - Efficiency: best relationship between resources and results
 - Effectiveness: attaining the specific objectives and intended results to be measured through indicators
 - Economy: resources in due time, appropriate quantity and quality, best price
- Ex ante and ex post evaluations of significant programmes

Transparency

- The President of the European Parliament shall have the budget published in the Official Journal within three months following its adoption
 - The Commission shall publish final detailed budget figures on its website no later than four weeks after the adoption
- Consolidated financial statements and financial management reports of Institutions to be published in the Official Journal
<https://eur-lex.europa.eu/oj/direct-access.html>

Annual budgetary procedure



Annual budgetary procedure

- Art. 314 TFEU: special legislative procedure
 - Each Institution draws up its statement of expenditure (not later than on 1 July of the year $n-1$)
 - At the latest 1 July 2019 for year 2020
 - Commission includes these statements in the Draft Budget, possibly with diverging forecasts
 - Draft Budget includes a statement of revenue and expenditure (not later than 1 September year $n-1$)
 - At the latest 1 September 2019 for year 2020
 - Commission can amend the DB until the Conciliation Committee is convened
 - Protocol 1: eight weeks information period for national Parliaments between Commission proposal and Council position

Annual budgetary procedure: Position of Council and EP

- Council's position on the Draft Budget
 - Council adopts its position by qualified majority of its Members
 - Transmission to the Parliament not later than 1 October year n-1 (at the latest 1 October 2019 for year 2020)
- European Parliament amendments
 - After the transmission of Council's position, the EP has 42 days to:
 - Approve the Council position, or
 - Adopt amendments by majority of its component members and transmit the Draft as amended by the EP to Council and Commission
 - EP President, in agreement with Council President, convenes immediately a meeting of the Conciliation Committee (this however shall not happen if Council approves all EP amendments within ten days)
 - If Parliament has not taken a decision within 42 days, the budget is deemed to have been adopted

Annual budgetary procedure:

Conciliation Committee

- Conciliation Committee (CC)
 - CC has 21 days, starting from the date of convocation, to arrive at agreement on a joint text; Commission participates and takes all necessary measures to reconcile the positions of EP and Council
 - If no agreement on joint text, Commission must submit new Draft Budget
 - If agreement on joint text, EP and Council have 14 days to approve
 - If both approve, or one approves and the other fails to take a decision: budget definitely adopted
 - If both reject, or if one rejects and the other fails to take a decision: Commission to submit new Draft Budget
 - If EP approves and Council rejects, EP may decide to confirm all or part of its amendments. If EP amendments are not confirmed, the position agreed in CC is retained
 - When this procedure is completed, EP President declares the budget definitely adopted

EU budget: Structure

- Structure of the budget:
 - Budget nomenclature
 - Sections
 - EU budget has 10 sections as each institution has its own section of the budget (European Commission: section III)
 - Titles
 - Chapters
 - Articles
 - Items
 - Commission section: Activity Based Budgeting (ABB)
 - 34 titles, plus one reserve title
 - Around 200 chapters / activities (per title: one administrative chapter, several policy chapters etc.)
 - Budget articles
 - Budget items

DB2020: Key dates

Dates DB2020	Action
17 May	Statement of Estimates (SoE) documents to BUDG CAB
24 May	ACOR Meeting
	Approval BUDG CAB
	Statement of Estimates documents to all CABs
28 May	RSCC
3 June	HEBDO
5 June	Adoption of the Commission's Statement of Estimates through oral procedure
	Presentation (Commissioner) to BUDG committee of EP
	Presentation (DG) to Coreper II
6 June	Presentation (Director) to COMBUD
3 July	Adoption of consolidated Draft Budget (all sections in all languages) through empowerment procedure
23 July	Trilogue before the adoption of the Council's position
Week 38 (3rd week of September)	The Council endeavours to adopt its position and transmit it to the EP
At the latest week 41 (early October)	The EP's Committee on Budgets endeavours to vote on amendments to the Council's position
16 October	Trilogue before the reading of the European Parliament
Week 43 (Plenary: 21-24 October)	The EP votes on its reading
29 October	The Conciliation period starts
4 November	Opening Conciliation Committee meeting
5 November	Trilogue
15 November	Closing Conciliation Committee meeting
18 November	The Conciliation period ends
27 November	Adoption of the budget (anticipated date)

DB2020: Priorities

Priorities for 2020

€2.8 billion for education under Erasmus+ (+1.8% more than in 2019)

€170 million for young people to volunteer and work in their country or abroad with the European Solidarity Corps (+15.5% more than in 2019)

€413.1 million for small and medium enterprises under COSME (+12.5% more than in 2019)

€13.2 billion for researchers and innovation across Europe under Horizon 2020, including the enhanced European Innovation Council (+6.4% more than in 2019)

€1.2 billion for Europe's own global satellite navigation system Galileo (+75% more than in 2019)

21% of the whole budget will be dedicated to tackle climate change

Investing in young people, jobs
and a competitive economy with
€24.7 billion

Protecting EU citizens and providing
security and solidarity in the EU and
beyond with **€14 billion**

Reducing economic and social
differences between European
regions with **€58.6 billion**

Promoting sustainable growth and
supporting farmers, fisheries and
biodiversity with **€60 billion**








€156.2 million for the new RescEU programme to prepare for, and respond to natural, technological and man-made disasters

€420.6 million for the European Border and Coast Guard Agency (Frontex) to set-up a standing corps of 10 000 operational staff with its own equipment to manage the EU's external borders (+34.6% more than in 2019)

€560 million for humanitarian and development assistance for Syria, Lebanon and Jordan

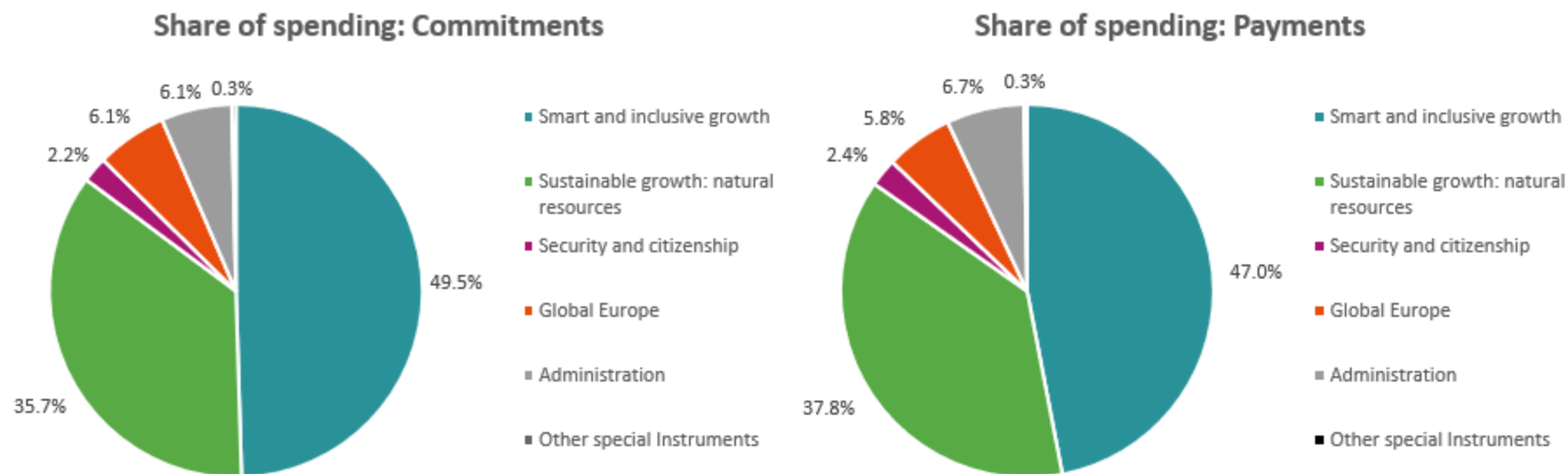
€117 million for the Youth Employment Initiative to support young people living in regions where youth unemployment is high

DB2020: Where will the money go?

APPROPRIATIONS BY HEADING		Commitments		Payments	
		€ million	%	€ million	%
	Smart and inclusive growth	83,328	+3.3	72,151	+6.8
	Competitiveness for growth and jobs	23,716	+5.5	22,109	+7.7
	Economic, social and territorial cohesion	58,612	+2.5	50,042	+6.4
	Sustainable growth: natural resources	59,995	+0.6	58,014	+1.1
	Market related expenditure and direct aid	43,532	+0.8	43,502	+0.9
	Security and citizenship	3,729	+1.5	3,724	+5.6
	Global Europe	10,308	-8.9	8,986	+4.0
	Administration	10,324	+3.8	10,327	+3.8
	Special Instruments	588	-32.5	419	-40.6
TOTAL APPROPRIATIONS		168,272	+1.3	153,621	+3.5

DB2020: Shares of commitments and payments

By headings, in %





Thank you

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DG BUDG A1

Explanatory session with Albania and North Macedonia

27 September 2019