



Explanatory note MFF, Budgets 2013/2014 and Amending Budgets 6,7,8,9

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Background

Over the last three years, annual budget for payments needed to foot the bills handed in by member states* were always tight. A number of member states - confronted with budget constraints at home - were reluctant to provide the amounts needed to fulfil the Union's legal obligations.

*N.B. most of the payments (some 80%) are made (pre-financed) by the member states themselves, who then ask the Commission to reimburse them.

When Parliament and Council decided on the budget for 2013 in December of last year, both institutions acknowledged that the budget in payments for 2013 would be too low to pay all the incoming bills. Erasmus and some other programmes ran dry already mid 2012 and as a result Council and Parliament signed a joint declaration to avoid similar situations in 2013. This declaration was annexed to the formal Budget and published in the Official Journal. In case of a shortfall, Council, Parliament and Commission agreed to remedy such situation as early as possible in 2013 by adding additional funds.

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Background

Unpaid bills

Parliament has consistently stressed the need to fill the payment gap for 2013 prior to agreeing on the MFF, the next long-term EU budget period starting in 2014. It doesn't make sense to agree on a budget for 2014 - the first year under the new MFF - if the previous year ends with a series of unpaid bills. When the Commission tabled its first request for additional funds (**€11.2 billion**), as agreed in the above declaration, the Council proposed a two-tier approach: **€7.3 billion** early this year and the outstanding amount (**€3.9 billion**) later on in the year.

After this, several meetings on payments were held in which Commissioner Lewandowski explained the urgent need for additional funds, based on thorough calculations. Parliament wanted to remedy the shortfall as quickly as possible, but the member states failed to agree among themselves. In its resolution regarding the MFF of 3 July 2013 Parliament therefore said the **€3.9 billion** had to come through, otherwise Parliament would not give its green light to the MFF. See the resolution.

Background

Solidarity money for flooding France, Italy, Espagne

Additionally, the Commission tabled another **Amending Budget 9 of €400 million** to pay to Germany, Austria and Romania for damages due to floods from the so called European Solidarity Fund.

Member States ambassadors decided early October to agree to the additional **€3.9 billion**, but only if the **€400 million** for floods would come out of the budget in stead of adding fresh money. Moreover, Council said it would only agree to this Amending Budget of **€3.9 billion** if and after Parliament gave its green light to the MFF.

Meanwhile, another problem has come up. This concerns the revenue side of the budget. The EU budget is partly financed from "own resources", such as import duties. But the lion share consists of direct contributions by the member states based on their GNI. The Commission recently found that the income from import duties and the VAT-based contributions would be lower than expected. Besides it had to recalculate the implications of the corrections (rebates) for countries like UK, Netherlands and Sweden. The result is that the GNI-contributions by member states will need to be increased (**DAB 6: €2.7 billion**) to arrive at the same amount.

During the opening session in Strasbourg on Monday 21 October, President Schulz mentioned he had received a phone call from Commission President Barroso, who made an appeal to Parliament to approve the **Amending Budget 6, increasing national contributions by €2.7 billion** urgently - even during the October II session - because the Commission is running out of funds once more and could otherwise no longer pay its bills from mid-November onwards. The Commission appeal was supported by the Council, which signed this off on Monday evening 21 October in all haste..

Parliament's Budgets Committee will decide in its meeting today, 22 October, at 4 pm to vote this in urgency and it will be put to a plenary vote either on Wednesday or Thursday.

In short, this is the situation with the amending budgets:

Amending Budget 6: approved by the Council in fast track and now to be decided on by Parliament after an appeal by President Barroso.

Amending Budget 7, €150 million : for three countries: France, Italy and Spain. This amount was promised to these countries when the member states tried to agree amongst themselves on the MFF 2014-2020.

Amending Budget 8, €3.9 billion: Originally agreed by all three institutions in July this year, but now disputed. The Council is trying to make the Parliament's approval of the MFF a condition for it to approve the €3.9bn.

Amending Budget 9, €400 million: for compensating the damage of floods in Germany, Austria and Romania. See above, the Council wants to find this money in the current budget.