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on outstanding commitments (RAL) and the payments issue¹

Committee on Budgets

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¹ The figures and other factual elements presented in this working document are based on various data, reports and presentations from the Commission.

Abstract

Outstanding commitments (or RAL, from the French '*reste à liquider*') are defined as the amount of appropriations committed that have not yet been paid. They stem directly from the existence of multiannual programmes and the dissociation between commitment and payment appropriations.

The multiannual character of all EU policies, and in particular of cohesion policy, implies a rising profile of payments towards the end of the MFF. Indeed, when the 2007-2013 MFF was agreed in May 2006, it was based on the assumption that the RAL would amount to EUR 180 billion by the end of 2013.

The slow start of 2007-2013 programmes, notably in the area of cohesion policy, and the impact of the economic downturn resulted in an extraordinarily low level of payments during the first half of the programming period. These postponed payments will have to be made in the final years of the current period. Moreover, the overlapping of the N+2/N+3 rules and the temporary lowering of co-financing rates agreed by the Council and the EP for a number of countries facing economic difficulties will put additional pressure on expenditure under Heading 1b (cohesion) in 2013. Increased needs have recently been emphasised by the lack of resources in the EU budget at the end of 2011 to reimburse more than EUR 5 billion.

The 2013 EU draft budget provides for an increased level of payments for cohesion policy. This appears to be a minimum level, however: as explicitly stated by the Commission, it is based on the premise that 2013 draft budget payments under cohesion policy relate strictly to 2013 payment claims, and thus on the assumption that payment claims from previous years will be honoured in 2012.

However, all indicators point to a shortage of payments in 2012. Every effort should therefore be made to avoid once again – as happened in late 2011 – shifting the reimbursement of payment claims, this time from 2012 to 2013, and to fill the gap in payments as soon as possible. Any postponement of payments to the following year should also take due account of the possible consequences for the next MFF, and of the fact that, in the event that no agreement is reached on the next MFF in time, the IIA of 17 May 2006 provides that the payment ceiling for 2014 and thereafter will be the same as for 2013, after annual technical adjustment.

Taking into account 2011 outturn, the 2012 budget and the 2013 draft budget, some 21.4 billion additional payment claims in the field of cohesion policy need to be received from Member States by the end of 2013 in order to avoid further decommitments. Decommitments mean that the level of budgetary resources available for achieving the EU's objectives and priorities is reduced as compared with those agreed by the legislator and provided for by the budgetary authority in previous years. They represent a net loss for cohesion policy and for Member States' operational programmes, which have a key role to play for investing out of the crisis.

It is crucial to honour the commitments made in the past, which were unanimously accepted by all the Member States when the current financial framework was adopted. By failing to do so, the EU will put its credibility at risk. At the same time, it should be underlined that the margin between the level of payments adopted in the budget and the ceiling set in the MFF has kept growing (EUR 7.9 billion, EUR 12.4 billion and EUR 6.2 billion below the payment ceilings for the 2011 and 2012 budgets and the 2013 draft budget respectively).

Overall level and breakdown of RAL at the end of 2011

The total volume of RAL grew from EUR 194.1 billion on 1 January 2011 to **EUR 207.1 billion** on 31 December 2011, i.e. by EUR 13 billion. This represents some 1.5 times the EU's annual budget.

That growth can be broken down as follows:

RAL as at 1.1.2011		EUR	194 billion
Plus new commitments	+	EUR	138 billion
Less payments made	-	EUR	123 billion
Less decommitments on new or old commitments	-	EUR	2 billion
Total RAL as at 31.12.2011	=	EUR	207 billion

The above figures well illustrate the constraints determining the level of RAL, namely the level of commitments and payments agreed during the budgetary procedure (EUR 138 billion and EUR 123 billion being the amounts agreed by the budgetary authority). The difference between the level of commitments and the level of related payments each year represents the additional RAL for that year.

Applying the same calculation, if no amending budget for additional payments is adopted, the RAL can be expected to increase from EUR 207 billion to EUR 225 billion at the end of 2012, and to EUR 238 billion at the end of 2013. This should be compared with the Commission's initial RAL forecast for the end of the period, i.e. EUR 180 billion.

The table below shows the change in the RAL during 2011, by MFF heading.

HEADING	VOLUME OF RAL (EUR million)		CUMULATIVE DECOMMITMENTS OF RAL AS AT 1/1/2011
	AS AT 1/1/2011	AS AT 31/12/2011	
1. SUSTAINABLE GROWTH	150 467.0	159 707.6	-1 265.6
1a. Competitiveness for growth and employment	22 479.3	23 855.6	-524.1
1b. Cohesion for growth and employment	127 987.7	135 852.1	-741.5
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES	22 962.6	25 304.7	-190.6
of which: market-related expenditure and direct payments	621.9	606.8	-56.2
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE	1 911.0	2 130.3	-118.0
3a. Freedom, security and justice	1 277.1	1 589.6	-50.3
3b. Citizenship	633.9	540.6	-67.7
4. THE EUROPEAN UNION AS A GLOBAL PLAYER	18 332.0	19 571.7	-465.8
5. ADMINISTRATION	378.8	361.6	-53.8
GRAND TOTAL	194 051.3	207 075.9	-2 093.8

As can be seen from the above table, the two areas which contribute most to the overall level of RAL are cohesion policy (two thirds of the total) and rural development, with Headings 1a

and 4 each contributing some 10 % of the total level of RAL.

Under **Heading 1a**, outstanding commitments amounted to EUR 23 856 million at the end of 2011, most of which came from the Research Framework Programme (EUR 14 039 million). As far as the latter is concerned, it should be borne in mind that the Commission is bound by contractual and regulatory obligations, such as the obligation to make advance payment no later than 45 days after the signature of a contract.

In this connection, the cuts made to payment appropriations in the last two years under all FP7 lines as a result of the Council's restrictive approach (-EUR 636 million and -EUR 268 million as compared with the Commission's initial draft budget estimates for 2012 and 2011 respectively), make the payments situation very difficult, potentially leading to a vicious circle whereby delaying payments could increase the cost on account of the late interest to be paid. In 2012, as a direct result of the cuts made in previous years, a shortfall in payments was expected between July and September in order to fulfil legal obligations to beneficiaries. As early as April, this led the Commission to propose transfer request DEC 9/2012 with a view to increasing FP7-Cooperation payments by an unprecedented EUR 485 million from the European Economic Recovery Plan, under which a significant proportion of commitment appropriations (allocated in 2009 and 2010) have not yet been paid.

Under **Heading 2**, payment appropriations for rural development are often under-implemented, mostly on account of the current economic situation, which makes it difficult in some cases to provide national and private co-financing, and of the impact on the payments profile of the late approval of certain programmes. The N+2 rule also applies to the EAFRD (see below).

Under **Heading 4**, outstanding commitments amounted to EUR 19.57 billion; this can be explained by two factors:

- some appropriations are managed by the beneficiaries of EU funds, but these countries do not always have the corresponding absorption capacity (for instance in relation to the pre-accession instrument);
- significant outstanding commitments remain from the previous programming period (2000-2006), meaning that a significant proportion of payments appropriations are being used to pay these old commitments.

Cohesion policy (**Heading 1b**) has a very high level of RAL despite the N+2 and N+3 rules, which, as explained in the annex, are designed to create a link between commitments and implementation (payments). The increase in RAL can to some extent be explained by the derogations granted in previous years (see annex).

The factors explaining the slow implementation of cohesion policy payments (commitments made automatically each year) over the 2007-2013 programming period include:

- the new, stricter 2007-2013 rules, including the validation of management and control systems before any interim payment can legally be made;
- derogations granted by the legislator to the N+2 rule, including N+3 (meaning that RAL could increase to up to three years of commitments under cohesion policy);
- cofinancing requirements in the context of the crisis (temporary decrease in the level of co-

financing for a number of Member States facing economic difficulties); and
– the limitation of payment appropriations under previous budgets.

This contributed to a lower payment profile than had been expected at the beginning of the period: the level of payments was EUR 55 billion lower than initial estimates for the 2007-2011 period, resulting in an equivalent ‘saving’ for national treasuries¹. Taking into account the EUR 10.9 billion decommitted so far under all headings of the MFF, the cumulative net payment backlog amounts to EUR 44 billion. Since, conversely, commitments were entered up to the MFF ceiling level every year, this gap automatically necessitates some significant catching-up in the last years of the MFF, assuming that there will be no further decommitments.

The latter assumption is consistent with previous experience, since the volume of decommitments has never been significant; in the rapporteurs’ view, it should be considered as a target in order to avoid an equivalent loss in the delivery of cohesion policy in EU regions and Member States, as compared with initially agreed allocations which were already reduced as a result of lower co-financing requirements for Member States.

The situation under Heading 1b as at the end of 2011 is the following, broken down by Member State:

(EUR million)

	2007-2013 allocation ²	Accumulated CA – end 2011	Accumulated PA – end 2011	Payment rate (end 2011)	Total RAL (end 2011)
Austria	1 204.48	853.12	472.08	55.34%	381.04
Belgium	2 063.50	1 556.24	663.74	42.65%	892.50
Denmark	509.58	356.71	195.08	54.69%	161.62
Finland	1 595.97	1 174.19	653.11	55.62%	521.07
France	13 447.26	9 413.16	4 676.03	49.68%	4 737.13
Germany	25 488.62	18 064.09	10 488.81	58.06%	7 575.27
Greece	20 210.26	14 665.13	7 060.65	48.15%	7 604.48
Ireland	750.72	631.04	362.37	57.42%	268.67
Italy	27 965.32	19 748.06	6 072.78	30.76%	13 667.81
Luxembourg	50.49	35.34	20.49	57.98%	14.85
Netherlands	1 660.00	1 162.01	558.15	48.03%	603.86
Portugal	21 411.56	15 126.54	8 086.35	53.46%	7 040.19
Spain	34 657.73	26 012.25	12 657.36	48.66%	13 354.88
Sweden	1 626.09	1 138.27	756.50	66.46%	381.78
United Kingdom	9 890.94	7 158.94	3 840.70	53.65%	3 318.24
Cyprus	612.43	523.54	228.96	43.73%	294.57
Czech Republic	26 539.65	18 035.77	6 935.25	38.45%	11 100.52
Estonia	3 403.46	2 212.66	1 429.04	64.58%	783.62
Hungary	24 921.15	16 843.50	8 784.23	52.15%	8 059.28
Latvia	4 530.45	2 968.74	1 650.58	55.60%	1 318.17
Lithuania	6 775.49	4 454.72	3 250.84	72.98%	1 203.88
Malta	840.12	588.49	229.26	38.96%	359.22
Poland	67 185.55	45 175.79	25 015.92	55.37%	20 159.87
Slovakia	11 498.33	7 567.89	3 191.78	42.18%	4 376.11
Slovenia	4 101.05	2 851.48	1 517.60	53.22%	1 333.88
Bulgaria	6 673.63	4 279.21	1 571.33	36.72%	2 707.88
Romania	19 213.04	11 933.68	3 172.35	26.58%	8 761.33

¹ If one adds the 2012 budget figures as adopted, the cumulative gross shortfall in payments increases to EUR 68 billion (i.e. a net amount of EUR 57 billion excluding the EUR 11 billion already decommitted).

² After adjustment of the 2007-2013 allocation in line with point 17 IIA.

Multi-country	7 909.27	5 468.41	2 104.25	38.50%	3 362.00
Total	346 736.14	239 998.96	115 645.60	48.19%	124 343.74

NB: the above table relates solely to the 2007-2013 envelope. This is why the total level of RAL shown in this table is lower than that presented in the previous table for Heading 1b (which also covers previous programming periods).

Current situation: acceleration in the submission of payment claims, but reimbursements limited by the agreed level of payments

In 2011 the implementation of cohesion policy as a whole came to EUR 0.7 billion above the budget adopted (including transfers and end-of-year amending budget). As far as 2007-2013 programmes are concerned, a further EUR 2 billion was redeployed from pre-2007 programmes.

Nevertheless, at the very end of 2011 – when there was a risk of a large volume of decommitments in application of the N+2/N+3 rules – an unprecedented volume of payment claims were submitted to the Commission: claims amounting to EUR 15 billion were received in the last three weeks of December, of which EUR 4.5 billion was paid in 2011 and EUR 10.5 billion was still to be paid in 2012.

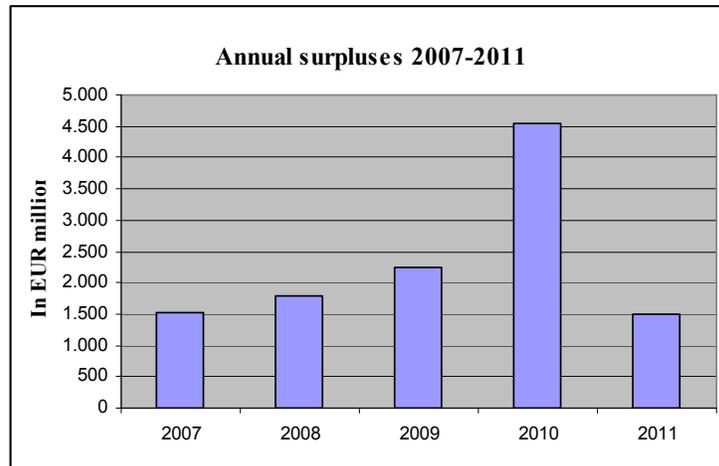
According to the Commission, of these EUR 10.5 billion, 5 billion could have been paid in 2011 if there had been sufficient appropriations available. The table below lists the main Member States at risk of having amounts decommitted which submitted additional unpaid payment claims at the end of 2011.

Outstanding payment requests at the end of 2011 (Heading 1b)

Member State	Amount (EUR million)	%
ES	2 262.6	21%
IT	2 186.8	20%
PL	1 578.8	15%
GR	1 287.4	12%
DE	695.2	6%
PT	550.9	5%
UK	433.4	4%
Other	1 747.2	16%
Total	10 742.3	100%

However, the budget limitation on 2011 payments – resulting from the budgetary authority's decision significantly to limit the level of payments – prevented such payments from being honoured in 2011. They had to be made in 2012, thereby creating cashflow problems for the Commission in early 2012 and automatically reducing the level of payments available to finance 2012 actions and needs in 2012. Of these EUR 10.5 billion, EUR 6.2 billion had been paid as at 15 March 2012.

These late reflows to Member States can be linked to the reduction in the Member States' contribution to the EU budget as a result of the budgetisation of each year's surplus.



It should be noted that these amounts do not derive solely from the under-implementation of the EU budget, but also from other revenues generated by EU activity, such as fines imposed in connection with the internal market. The high level of the 2010 surplus stems from the rejection, at the end of 2010, of the year-end draft amending budget adjusting the level of payments in the 2010 budget to the latest estimates of needs.

This raises questions as to whether year-end implementation could be made more flexible and fines reintroduced in the budget in order to avoid the paradoxical situation whereby a 2011 surplus of EUR 1.5 million will be reimbursed to Member States in 2012, yet payment claims cannot be reimbursed to the same Member States at the end of the same year. The postponement of these reimbursements automatically reduces the funding available to meet 2012 payment needs. Together with the Council's restrictive approach to payments during the 2012 budgetary procedure (for the second year in a row), this is contributing to the likelihood of a shortage of payments in 2012.

It may also lead to a situation whereby year N needs are regularly financed only in year N+1, resulting in the unwarranted postponement of payments to the next MFF. As well as calling into question the sound financial management principles laid down in the Financial Regulation and the IIA, notably as regards compliance with budgetary annuality, and resulting in an EU liability towards Member States, this also leads to an overestimation of the level of RAL at year-end.

2011 implementation figures showed that the Commission and Parliament were right in their assessment of payment needs, since:

- for the first time ever, the 2011 year-end amending budget adjusting the level of payments increased payments rather than decreasing them;
- at the end of 2011, some 10 billion payment claims could not be honoured (see above);
- Parliament also asked for a level of payments of more than EUR 127.5 billion, which is EUR 5 billion higher than the Council's level of payments (for Section III – Commission), i.e. the level of reimbursements that could have been made before 2012.

In addition, while there were some delays in relation to the implementation of specific items of expenditure (large projects under Heading 1a, Cohesion Fund, rural development, etc.), the

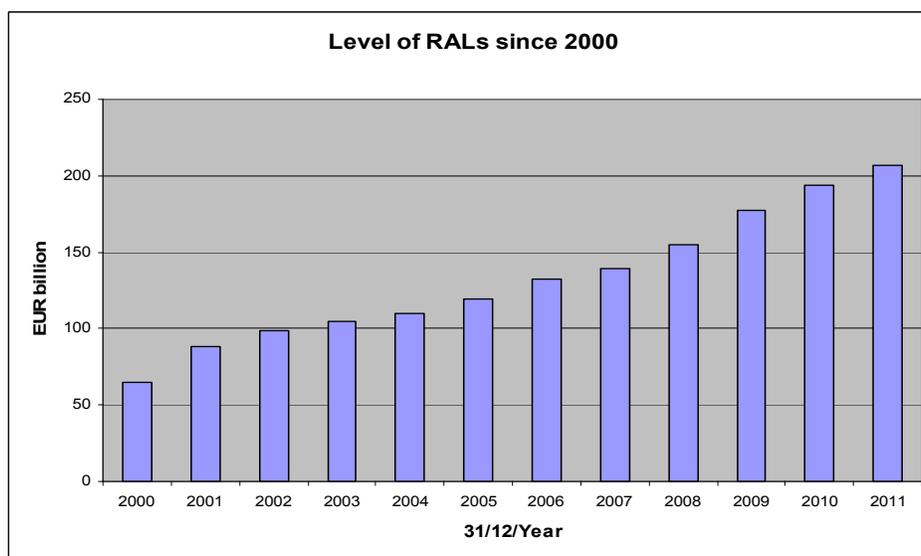
outturn for certain programmes exceeded their initial budget allocations, notably in the fields of research (+EUR 166 million out of EUR 6.9 billion), life-long learning and Erasmus Mundus (+75 million out of 1.05 billion), competitiveness and innovation (+110 out of 306 million), the Social Fund (+769 million out of 9.2 billion) and the European Regional Development Fund (+688 million out of 25.25 billion), i.e. mostly investments for growth and jobs.

With a higher increase in payments (+6.8 % or some EUR 9 billion) than in commitments (+2.0 %), the 2013 draft budget should help to contain the RAL. However, this amount alone does not appear to be sufficient to address the considerable backlog in payments for the current period. While the gap between CA and PA is decreasing under the 2013 draft budget, it still amounts to some EUR 13 billion, with PA still far below CA.

At the end of the programming period, when multiannual programmes reach cruising speed or even their completion phase, previous years' limitations on payments are therefore a major reason for the increase in RAL. The implementation of programmes contributing to the Europe 2020 objectives is now reaching cruising speed and should no longer be delayed by an excessively low level of payments.

Future trends

For the above-mentioned reasons, the RAL for 2007-2013 is far greater than it was at the same point during the 2000-2006 period (EUR 110 billion at the end of 2004, as against EUR 207 billion at the end of 2011).



As far as cohesion policy is concerned, with the N+3 rule no longer in application (the Member States in question will then be subject to the N+2 rule), all payment requests relating to 2010-2011 commitments will need to be received by 31/12/2013, assuming that no decommitments take place which would impair the delivery of EU policies in this field (see above).

This should have a direct impact on the RAL, going from about three years of commitments to two years for the Member States concerned, thus necessitating a significant catch-up in payments.

Given the fixed commitment profile until the end of 2011, and under the rules currently in force, the overall target for payment claims in order to avoid decommitments is EUR 224.9 billion by the end of 2013. Taking into account the level of payments in the 2011 and 2012 budgets and the 2013 draft budget, and assuming that payment claims are received in line with these yearly figures, around EUR 21.4 billion in additional **payment claims will have to be received before 31/12/2013**. A similar amount will therefore have to be added to the Union's budgets over 2012, 2013 and possibly 2014.

**Payment backlog for 2007-2013 cohesion policy programmes
(payments, in EUR billion)**

Overall payments target by the end of 2013 ¹	224.9
Payments made up to 31/12/2011	115.6
2012 budget	40.9
2013 draft budget	47.0
Outstanding payments by 2013, if no decommitments	21.4

While it is too early as yet to assess the potential increase for 2012, it should be noted that the payments claims unable to be honoured by the end of 2011 (see above) reduce the available budget for claims in 2012 by the same amount. Consequently, of the initial EUR 40.9 billion in appropriations adopted in the 2012 budget for 2007-2013 programmes, only EUR 30.2 billion remain available to honour new payment claims arriving in the course of 2012.

Assuming that the same volume of claims is received in 2012 as in 2011, i.e. some EUR 44 billion, there would be a shortfall of EUR 14 billion (= 44 – 30) which would either have to be covered through an amending budget by the end of 2012 or have to be paid in early 2013 using appropriations from the 2013 budget. Accordingly, the higher the increase in 2012 payments accepted by the budgetary authority, the fewer unpaid claims there will be at the end of 2012.

The Commission's proposal for a 6.8 % increase in payments as per its 2013 draft budget, up to a level of EUR 49 billion in payments under cohesion policy² (including EUR 47 billion for 2007-2013 programmes and EUR 2 billion for 2000-2006 programmes), is thus a minimum.

It is very likely that payments will need to be increased in the 2012 budget if the submission of payment claims by Member States in 2012 maintains the same pace as in 2011, as initial 2012 data seem to indicate³. In this light, the overall increase of EUR 9 billion between 2011

¹ The above payment target (by the end of 2013) takes into account the amounts decommitted so far (by the end of 2011). It should also be noted that such calculations are based on the assumption that 2012 and 2013 payments will be used fully to honour commitments from 2011 and before.

² I.e. an increase of EUR 5 billion, or 12 % as compared with the 2012 budget.

³ Moreover, given the acceleration in project implementation on the ground, this should be considered a

and 2012 alone does not appear to be sufficient in view of the estimated payment needs.

The above points basically emphasise that previous years' realistic estimates for payments, as proposed by Parliament and the Commission, were in line with needs and agreed priorities. The cuts made to the latter in the course of previous procedures (some EUR 7 billion overall in the last two procedures) are now resulting in an obvious shortage of payments, which needs to be addressed. Any cuts to the level of payments requested by the Commission in the 2013 draft budget would create additional RAL, since the 2013 draft budget is based on two fundamental assumptions: the need to pay new commitments (2012 and 2013) according to pre-financing rules with which the Commission has to comply, and the need to meet outstanding commitments from previous years, but on the basis of new payment claims submitted by beneficiaries, not those postponed from previous years. It is very likely that the number of bills submitted – in all policy areas – will rise, since we are now approaching the end of the programming period.

conservative assumption.

Background and technical information on outstanding commitments (RAL)

What are outstanding commitments (RAL)?

Outstanding commitments (or RAL, from the French '*reste à liquider*') are defined as the amount of appropriations committed that have not yet been paid. They stem directly from the existence of multiannual programmes and the dissociation between commitment and payment appropriations.

The existence of RAL is therefore not in itself a sign of bad financial management and is unavoidable to some extent where EU payments take place over more than one financial year.

This is why, following a joint declaration by the three institutions in the early 2000s, the Commission drew a distinction between so-called 'potentially abnormal' RAL ('PAR', which includes 'old' commitments dating back more than five years and 'dormant' commitments for which no payment has been made in the last two years) and those outstanding commitments that do not fulfil the above criteria and can be considered as 'normal'.

Such a definition has nevertheless been rendered somewhat obsolete by the introduction of the N+2/N+3 rule, which implicitly means that 'dormant' commitments, as defined above, can hardly be considered abnormal, even potentially, since they comply with the rules in force. The Commission carries out a screening exercise for all potentially abnormal RALs individually, making it possible to identify why the commitment concerned is still outstanding or, if no justification can be given, to take action on a case-by-case basis.

The result of such screening is presented annually by the Commission in a working document accompanying the draft budget¹. Although commitments dating back more than five years are not in themselves abnormal for certain areas of EU action, so-called 'old' commitments amounted to EUR 2.4 billion at the end of 2011, i.e. some 1 % of the total.

Difference between budgetary and legal commitments

A budgetary commitment is an act by which the authorising officer reserves in the accounts the funding needed for future payments, while a legal commitment corresponds to the signature by the authorising officer of a contract or grant agreement with a third party. The budgetary commitment always has to precede the legal commitment (so as to ensure that the necessary funds are set aside).

At the end of the year, budgetary commitments equal legal commitments, with two major exceptions:

– so called 'global commitments' (when funds are reserved, after the financing decision, for a

¹ The latest issue can be found via the link below:

<http://intracomm.ec.testa.eu/budg/bud/proc/adopt/doc/pdf/2013/db-2013-wd-V-budget-implementation.pdf>

group of organisations/persons before the exact amounts and/or precise organisations are known; this is followed by a set of individual commitments after the award decision);
– commitments divided into annual instalments (in accordance with the relevant legislation, for instance in respect of cohesion policy).

Decommitments as an option for reducing the RAL?

By definition, the level of **RAL can be decreased only by increasing the payment level or decommitting.**

Decommitments are governed by Articles 11, 77 and 157-160a of the Financial Regulation. A decommitment is the cancellation of an existing budgetary commitment. It can take place when there is no remaining legal obligation linked to the commitment, and requires a formal and duly justified decision. It must comply with the legal basis and be consistent with any legal obligations towards third parties.

Most decommitments take place when an operation is finalised by the payment of the final balance. They can also take place when a grant agreement is revised downwards.

In the field of cohesion policy, the basic rule (N+2) provides that a commitment in year N for a programme has to be covered by payment requests before 31 December of year N+2. The amount not covered is decommitted.

The institutions therefore have no margin of discretion in respect of decommitments, which constitute a legal action. They require a modification of the relevant legislative text or of the rules on automatic decommitments by the legislative authority.

Decommitments mean that budgetary resources set aside for achieving specific policy objectives, having lapsed, cannot contribute to the EU's objectives and priorities to the extent agreed by the legislator and provided for by the budgetary authority in previous years.

The situation and rules in force under Heading 1b

Cohesion policy commitments are rigidly defined for the whole period, by Member State, objective and year (so-called 'tranches'), as decided by the European Council in December 2005 and confirmed in the legal basis. This is why there is no margin available under Heading 1b of the MFF. Commitments are associated with operational programmes. They are entered by the Commission before April 30 each year, by programme and fund, as per the agreed annual envelope.

Decommitments under Heading 1b can take place only in two circumstances:

- at the end of the period (less eligible expenditure than foreseen, financial correction);
- in accordance with the N+2/N+3 rules.

The objective of the N+2/N+3 rules, as RAL containment tools, is to create a link between commitments and implementation (payments).

The basic rule (N+2) provides that a commitment in year N for a programme has to be covered by payment requests¹ before 31 December of year N+2². The amount not covered is decommitted, meaning that it is lost for the programme in question and that the Member State concerned will either cancel a number of projects which have not yet started or pay for them from its national budget.

Historically, the N+2 rule resulted in decommitments amounting to only EUR 0.9 billion over the 2000-2006 period (mostly for the ESF and NL), according to the latest available data.

The N+2 rule was replaced by the N+3 rule for the 'new' Member States, Greece and Portugal for the 2007-2010 period. Exceptions to the N+2/N+3 rules include:

- temporary shielding for major projects;
- no decommitment in cases of 'force majeure' or in the event of suspensive legal proceedings;
- the 'Greek' amendment (voted unanimously in Council), which neutralised the 2007 tranche and spread it over the following six years³;
- higher advances also neutralise the rule in the first year.

In general, the N+2/N+3 rules are a means to contain the increase in the level of RAL, and any weakening of the N+2 rule leads to increased RAL. Without the above exceptions, RAL could be expected to correspond to two years of commitments under the N+2 rule, and three years in the case of N+3 Member States.

With the application of the N+2 rule to all Member States during the last two years of the programming period (the N+3 rule having lapsed at the end of 2010⁴), all commitments for 2010-2011⁵ will need to be covered by payment requests before the end of 2013.

¹ It should be stressed that what is needed is not actual reimbursement by the Commission but only payment requests. Those arriving in late December can be paid under the following year's budget.

² Payments for a programme are always linked to the oldest open commitment.

³ Regulation (EU) No 539/2010 of the European Parliament and of the Council of 16 June 2010 amending Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund as regards simplification of certain requirements and as regards certain provisions relating to financial management.

⁴ All 2007-2011 commitments have to be covered by payment requests before the end of December 2013, since payment requests for the 2010 commitment tranche have to be sent before the end of 2013 (N+3 rule) in the case of the 'new' Member States (and GR and PT), and payment requests for the 2011 commitment tranche also have to be sent before the end of 2013 (all EU-27 Member States).

⁵ Less 2/6 of the 2007 commitment for 2012-2013 under the 'Greek' amendment.