Budget management of ETC programmes under global payment constraints

Silvano Presa, Director, DG Budget
ETC Annual Meeting 19-20 May
**2014 EU budget: Tight payment situation**

- New MFF payment ceiling (all headings) is EUR 8.4 billion lower than the 2013 Budget.
- Shortage of payments likely to appear.
- No magic solution in sight for global or ETC payment situation, however...
- ...with careful management of available payments across the budget and flexibility in new MFF, it ought to be manageable also for ETC 2007-13.
Financial Framework payment ceiling
Budgets and unused margin (EUR bn)
2014 global payment situation

- End-2013: Cohesion Policy 'backlog' of unpaid bills at EUR 23.4 billion carried over to 2014. The ERDF backlog represents 56% of ERDF credits in 2014 budgets.

- Other unforeseen circumstances (e.g. frontloading of some programmes, higher co-financing rates), which could not be foreseen when overall payment ceiling was established, increased pressure on payments.
ETC 2007-2013 programmes payments (EUR million)
Is 2014 payment situation due to slow start-up of ETC programmes?

- Faster implementation could have reduced the 2013-2014 global payment constraints.

- The unused margin under the payment ceiling was on average some EUR 10 billion/year over 2007-2010 compared to virtually no margin in 2013-14.

- ETC programmes had a slow start up, commitments were back-loaded from 2007 to subsequent years, with delayed disbursement required now.
ETC (2007-2013 programmes)
2014 payment appropriations

Council cut Commission's proposal (prepared in Spring 2013 based on historical payment patterns)

2014 authorised Budget is EUR 60 million (5 %) lower than Commission's initial proposal.

<table>
<thead>
<tr>
<th>Commission</th>
<th>Council</th>
<th>EP</th>
<th>2014 Budget</th>
<th>Budget/Cion</th>
<th>Budget/Cion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1167</td>
<td>1085</td>
<td>1167</td>
<td>1107</td>
<td>-60</td>
<td>-5%</td>
</tr>
</tbody>
</table>
Did the Commission request enough ETC payment appropriations in 2014?

- Payment request based on a historical model while respecting overall payment ceiling.
- Commission can fine-tune the budget implementation throughout the year via transfers and amending budgets.
Did Council and Parliament authorise enough ETC payments in 2014?

- The 5% cut to payment appropriations requested in 2014 does not help.
- The substantially higher than expected backlog carried over from 2013 puts extra-pressure on reduced payment appropriations.
- The under-budgeting of Heading 1b and ETC in 2014 is the result of the overall payment constraints in 2014.
ETC 2007-2013 programmes
Possible payment shortage in 2014

- Authorized payments 2014: EUR 1 107 mn
- 'Backlog' from 2013: EUR 734 mn
- Credits available for new claims: EUR 373 mn
- Member States' April forecast: EUR 1 258 mn
- Implementation as of 12 May is EUR 797 mn
- Commission will react, as needed.
ETC 2007-2013 programs
How does Commission assess needs?

- Reliable forecasts? MS overestimated their H1b payments by 7-15% over the last 3 years.
- Timely submission? MS forecasts suggest that ETC claims of EUR 349 million will be submitted in the last 2 months of 2014, and some of them very late.
- Can all declared amounts be paid? 5% of declared amounts can only be paid at closure.
- The full forecasted amount therefore unlikely to be paid, even if there was no constraint.
- However, still outstanding requirements in 2014.
ETC payments in Budget 2014: How can the Commission react?

- **Transfers:** used to fine-tune needs, though options limited due to overall payment constraints.

- **Amending budget:** limited solution as payments are budgeted almost to the payment ceiling.

- **Flexibility within MFF:** the so-called 'contingency margin' allows frontloading payments from ceilings in following years. To be used, if needed.
Is the current payment situation due to economic crisis?

- Commission cannot ignore the economic crisis and the efforts of public finance consolidation made at nation level.
- MS have been reluctant to adopt fully and quickly amending budgets in 2012 and 2013.
- Such a reluctance also from some MS traditionally supportive of cohesion policy.
Conclusions

- Budget constraints to stay in short/medium term
- This requires close monitoring and efficient management of available appropriations
- Need to increase accuracy of forecasts
- Artificial under-budgeting leads to recurrent amending budgets and hinders smooth implementation
- ETC implementation in 2014 and beyond to be ensured
- In case of need, the Commission will react