

The administrative heading of the EU budget finances the activities of all the EU Institutions – the European Parliament (around 20 %), the European Council and the Council (7%), the Commission (40%) and the other Institutions like the Court of Justice, the External Action Service or the European Ombudsman (15%), as well as pensions (16%) and European Schools (2%).

Administration represents a relatively small part of the EU budget – 5.8% of the current MFF. This share has not changed significantly in recent years despite the biggest enlargement of the EU ever, a growing number of institutions and bodies located all over the EU, additional tasks leading naturally to a growing number of staff and, later, also pensioners. The administrative part of the budget is used to pay for salaries and pensions, running costs such as buildings, experts meetings, business trip costs, IT systems and other related expenses. It covers the costs of running a Union with 23 languages, for translation and interpretation purposes. It is also the part of the budget that pays for the European School system with schools in several Member States.

Since expenditure on pensions and on the European Schools is of a different nature and influenced by long term trends, the Commission MFF proposal presents the administrative expenditure needed for the functioning of the EU Institutions separately, as a sub-heading inside Heading V (excluding pensions and European Schools).

The Commission considers that it is challenging but feasible to limit the growth of administrative costs (Heading V of the budget) over the next programming period based on 2013 ceilings. For the period 2014-2020, this would mean no increase in administrative expenditure, without prejudice to additional costs resulting from future enlargements.

In 2004, the European Union reformed its civil service entirely and made its staff law one of the most modern of its time. A new performance oriented and merit based career structure, a new contractual status for personnel fulfilling non-core tasks, a reform of the pension system, new working methods and family-friendly working conditions were just some of the numerous changes brought by the first comprehensive reform of the European civil service legislation since 1968. This reform applied not only to the institutions, but also to the EU bodies and agencies established in nearly all Member States. This reform allowed the EU to save approximately € 3 billion to date. It will continue to generate savings for the EU budget of around €5 billion up to 2020.

Recent events in the global economy as well as the subsequent need to consolidate public finances require a particular effort by every public administration and its staff to improve efficiency and to adjust to the changing economic and social context. This context also applies to the European civil service and the administrations of the European institutions. The Commission as an administration has lived up to this responsibility in recent years by following a policy of zero staff growth, by meeting new political priorities through internal redeployment of staff, by putting in place tools and procedures to improve its internal organisation and efficiency and most recently by its proposal to freeze its administrative expenditure for the year 2012.

Beyond these administrative measures, the Commission has decided to propose changes to the current Staff Regulations which will allow all institutions, bodies and agencies to make further efficiency gains and economies, while guaranteeing an attractive EU civil service of the highest standards composed of citizens from all Member States.

The Commission considers that further economies are required and possible in all institutions, bodies and agencies. In order to meet this objective the Commission has decided to propose a reduction of 5% in the staff of all the Institutions, bodies and agencies. This will be one of the main elements in providing economies and is part of a global incentive for all institutions to increase efficiency. This staff reduction should be compensated by an increase in working time of staff without compensatory wage adjustments.

The challenge of containing growth in administrative expenditure will, however, require additional modifications of the EU staff regulatory framework. The Commission intends, in particular to:

- Modify the method for the adjustment of salaries, while prolonging the current 'special levy' paid by all officials at the present maximum rate of 5.5%.

- In line with the demographic developments in Europe, raise the retirement age from 63 to 65 years and the early retirement age from 55 to 58 years, while making attractive the possibility to continue working until 67 years.

The methodology for the calculation of the pension contribution rate will also be aligned with international accrual standards. Such a modification will aimed at providing the institutions and the Member State with a more stable pension contributions rate, less sensitive to short term interest rates' variations and therefore less subject to upheavals.

- Establish a clear link between responsibilities and grade: the career stream in the AST function group will be restructured so that the two top grades (AST 10 and 11) are reserved for officials exercising the highest level of responsibilities in this category in terms of staff, financial or coordination responsibility;
- Recruit clerical staff as contract agents on a permanent basis instead of life-time appointment as official. In order to avoid any permanent overlap between contract agents and officials carrying out the same tasks, the clerical functions will be progressively phased out for officials.
- Raise the minimum hours worked per week from 37.5 to 40, while maintaining the current maximum of 42 hours per week. This increase in working hours will help to compensate for the 5% reduction in staff.
- Adapt the calculation of the travel allowance.

Concerning agencies, the Commission would also like to present some amendments to the staff rules in order to allow a more consistent and smoother implementation of the staff regulations which better take into account the particularities of agencies. Depending on the conclusions of the interinstitutional working group on agencies, additional measures could be presented in the future, which could bring further savings on administrative expenditures of agencies, to be taken into account in the corresponding heading of the EU budget.

The Commission will propose that these measures be implemented starting from 2013, i.e. ahead of the programming period 2014-2020.

Proposed Budget Allocation for 2014-2020

Figures in constant 2011 prices

Administration	€62.6 bn
Of which	
• Pension expenditure and European Schools	€12.1 bn