



Brussels, 2 February 2016  
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5588/16

FIN 61  
INST 20  
PE-L 7

## REPORT

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From: Budget Committee  
To: Permanent Representatives Committee/Council  
Subject: Budget guidelines for 2017  
– *Draft Council conclusions*

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1. By way of preparation of the budget guidelines for 2017 to be established by the Council, the Budget Committee considered a set of draft Council conclusions, on the basis of a proposal from the Presidency.
2. At its meeting on 2 February 2016, the Budget Committee reached an agreement on the text as recorded in ANNEX 1.
3. The Permanent Representatives Committee is invited to advise the Council to:
  - adopt these draft Council conclusions at the ECOFIN Council on 12 February 2016; and
  - arrange for them to be forwarded to the European Parliament, the Commission and the other institutions and to approve the draft letter in ANNEX 2 to that effect.

**Draft Council conclusions  
on the budget guidelines for 2017**

***Introduction***

The Council underlines that the budget for 2017 should be able to respond to the most urgent needs while continuing to play a key role in the development and delivery of the Union's objectives and priorities.

The unprecedented and successive crises the EU faced in 2015 in areas such as migration and security have put the Union's budget under high pressure, showing the need to prioritise objectives in order to adequately react to unforeseen events. The budgetary year 2017, acting as a halfway marker of the current programming period 2014-2020, will likely be exposed to similar constraints and uncertainties.

The budgetary procedure for 2017 will still take place in a context of budget constraints in several Member States. Therefore, the Council emphasises the need to improve the predictability of Member States' contributions to the Union's budget. The Council, while recalling the principle of solidarity, considers that the EU budget should seek to boost growth, promote employment and create new jobs, as well as enhancing effective EU cohesion and increasing competitiveness, while maintaining budgetary discipline at all levels.

As such, the Council considers that the right balance between fiscal consolidation and investments to boost growth is needed. This can be achieved especially through the prioritisation of objectives, along with the allocation of available resources to programmes and actions that contribute the most towards achieving these aims. The budget for 2017 should provide the necessary resources to respect commitments already made and to implement the Union's policy priorities.

The Council invites the Commission to present a budget in line with the aforementioned objectives, including a focus on areas that deliver high EU added value.

## *Key elements of the budget for 2017*

The Council reiterates the need for a realistic budget respecting the principle of sound financial management. The level of both commitment and payment appropriations should be kept under strict control and be based on real needs. The level of payment appropriations<sup>1</sup> should be adequate and reflect the payment profiles of the programmes, including the commitments made during the previous programming period 2007-2013 and with a clear focus on the expected needs for the period 2014-2020.

The Council emphasises that the budget for 2017 and corrective budgetary tools shall strictly respect the relevant ceilings in accordance with the multiannual financial framework (MFF) Regulation for the period 2014-2020<sup>2</sup>. Moreover, the Council reiterates the need to leave sufficient margins under the ceilings in order to be able to deal with unforeseen circumstances.

The Council expects the Commission to make every effort to implement the budget within the allocations agreed in the annual budget, including the recourse to redeployments when appropriate. Corrective budgetary tools, such as amending budgets, should be kept to the strict minimum and in line with the Financial Regulation<sup>3</sup>. The Council invites the Commission to streamline and rationalise the submission of draft amending budgets, thereby ensuring greater predictability within the budget cycle. If corrective measures prove to be necessary, the Council reaffirms its commitment to take a position on draft amending budgets as soon as possible.

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<sup>1</sup> As shown in the graph contained in the Annex, the provisional implementation of payment appropriations in 2015 was very close to the level of payment appropriations initially included in the voted budget.

<sup>2</sup> Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p.884).

<sup>3</sup> Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

The Council urges the Commission to deliver high-quality forecasts concerning both revenue and expenditure in its draft budget and during the whole budgetary process, together with timely, precise and transparent information on the underlying assumptions and budgetary figures. Reliable and accurate forecasts on all sources of revenue and on past and expected implementation are crucial in order to ensure precise implementation and to avoid over-budgeting, as well as unjustified and excessive carry-overs. It also allows the European Parliament and the Council to assess any possible requests for additional appropriations or redeployment of existing resources.

An accurate draft budget is essential to allow Member States to anticipate the level of their contributions to the Union's budget with a high degree of precision. In this context, the Council calls upon all actors, and notably the Commission, to undertake appropriate measures in order to avoid unexpected calls for additional contributions from the Member States, especially when the impact on national budgets could be high.

The Council believes that full transparency regarding assigned revenues is necessary for a sound financial management of Union funds. It calls on all institutions, agencies and other bodies to continue providing all the relevant information promptly and on a regular basis.

The Council will continue to oversee the level of outstanding commitments (RAL)<sup>1</sup>. It calls on the Commission to continue to monitor the evolution of the RAL by heading and by programme on a regular basis and to settle or decommit them in a timely manner and in line with the relevant rules. In preparing the draft budget, the Commission should take into account the close relationship between commitment and payment levels, the volume of outstanding commitments, the need to respect the MFF ceilings, the absorption capacity and past implementation rates.

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<sup>1</sup> According to the Commission's implementation report of 11 January 2016, the level of Commission's outstanding commitments (RAL) amounted to EUR 217 billion at the end of 2015.

The Council takes note of the faster than expected decreasing level of outstanding payments<sup>1</sup> reported by the Commission at the end of 2015 and welcomes the phasing out of the backlog of unpaid bills from the previous programming period, expected in 2016.

### *Specific issues*

#### *Comprehensive budgetary documents*

The Council recognises the progress made by the Commission during the last budgetary cycle in terms of enhancement of the quality and timely delivery of budgetary documents. It encourages the Commission to further improve the content of its budgetary documents in order to make them more transparent, simple and concise, clearly justifying the requested appropriations, including their repercussion in terms of payment profiles for the following years. In this context, the Council invites the Commission to accompany any proposal modifying the agreed level of commitment appropriations with the corresponding impact in terms of payments over the programming period.

The Council acknowledges the usefulness of the Commission's "Active Monitoring and Forecast of Budget Implementation" system, with a view to, inter alia, prevent the possible build-up of an excessive backlog. It recalls that this reporting exercise should include regularly updated payment forecasts based on adopted budgetary decisions and any relevant development having an impact on the payment profiles of the programmes<sup>2</sup>. Thus, if adjustments are required to the level of appropriations, they can be made in a realistic and rigorous way at the various stages of the budgetary procedure.

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<sup>1</sup> According to the Commission's State of execution of interim payments and submission of payment applications for heading 1b (programmes 2007-2013) of 20 January 2016, the level of unpaid payment applications amounted to EUR 8.2 billion at the end of 2015 whereas it was EUR 24.7 billion at the end of 2014.

<sup>2</sup> Joint statement on a payment plan 2015-2016 (Doc. 9115/15).

The Council welcomes the good practice of accompanying every proposal for a transfer of appropriations related to the European Globalisation Adjustment Fund (EGF) with an update of the level of implementation of the maximum annual amount set for the special instrument in the financial year. The Council invites the Commission to extend this good practice to all the upcoming proposals involving the mobilisation of special instruments (i.e. Emergency Aid Reserve, European Union Solidarity Fund and Flexibility Instrument), also integrating recoveries and amounts unused from previous years when applicable.

The Council underlines that high quality programme statements and timely financial information on spending proposals are crucial for the European Parliament and the Council to establish, confirm or modify budgetary priorities. Programme statements should, in particular, focus on performance information and ways to improve it, including the results achieved, the justification for the level of appropriations requested, and on the added value of EU activities. This analysis should be clearly linked to the relevant budget lines in order to support the budgetary decision-making process.

#### *Interinstitutional cooperation during the budgetary procedure*

The Council encourages all institutions to collaborate efficiently and constructively, allowing for a smooth budgetary procedure and the establishment of the budget for 2017 within the deadlines set by the Treaty on the Functioning of the European Union (TFEU) and in line with the provisions of the Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management (IIA)<sup>1</sup>.

The Council stresses the need to preserve the annual character of the budgetary procedure and to avoid discussions on issues not directly linked to the annual budget negotiations. It recalls that the purpose of the Conciliation Committee, convened in respect of Article 314 TFEU, is to establish the budget for 2017.

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<sup>1</sup> Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (OJ C 373, 20.12.2013, p. 1).

Furthermore, the Council invites the Commission to ensure the timely and equal access to transparent and objective information and documents at all the stages of the conciliation negotiations.

#### *Administrative expenditure*

In the context of fiscal consolidation in Member States, national administrations are obliged to optimise the use of limited resources. There is also a need for rationalisation of EU's administrative expenditure. Therefore, the Council urges all institutions, bodies and agencies to reduce or freeze their administrative expenditure as much as possible and to request financing only for justified needs.

The Council calls on every institution and EU body to timely provide the Commission with clear, comprehensive and consolidated information of their administrative expenditure. In line with the Financial Regulation, the Commission shall attach to the draft budget the documents allowing the European Parliament and the Council to evaluate the situation and take well-founded decisions on the allocation and use of resources. Due attention should be paid to the comprehensibility and comparability over time and between institutions of the information provided.

The Council recalls that 2017 is the last year to comply with the target, as stated in Point 27 of the IIA, to progressively reduce by 5 % the staff in all institutions, bodies and agencies between 2013 and 2017. In this context, the Council invites all institutions, bodies and agencies to appropriately report on the evolution of their staffing reductions, including contract staff. Likewise, the Council invites the Commission to consolidate all data received in the form of a comprehensive table and to monitor the implementation of the 5 % target. Finally, the Council invites the Commission to start the assessment of the outcome of this exercise in order to draw lessons for the future.

## *Decentralised agencies*

While recognising the multiannual character of the actions carried out by some decentralised agencies, the Council recalls that over-budgeting has often led to a substantial and unjustified level of carry-overs. It reiterates the importance of keeping their funding under firm control and limiting it only to substantiated needs. The Council calls on the Commission, when establishing its draft budget for 2017, to continue taking into account unused appropriations and excessive accumulated cash-balances in order to bring down their annual surpluses. It also urges the Commission to carefully check, and if necessary revise, the requests for funds and posts proposed by the agencies taking into account past implementation, vacancy rates, as well as the compliance with the 5 % staff reduction target.

The Council expects the Commission to continue providing the European Parliament and the Council with a comprehensive picture concerning agencies, including their building policy, together with the draft budget for 2017. In this context, the Council takes note of the works of the interinstitutional working group aiming at closer and more permanent scrutiny on the development of decentralised agencies.

## ***Conclusion***

The Council considers that the EU budget should provide resources contributing to mitigate the negative effects of the current economic and social situation, notably by leveraging productive investments and providing the appropriate resources to boost growth and jobs and effectively responding to current and forthcoming challenges, inter alia relating to migration. It underlines that an accurate and accountable use of Union resources is one of the essential elements to reinforce the trust of EU citizens.

The Council will support a realistic budget for 2017, striking the right balance between fiscal prudence and new investments conducive to growth and jobs. It underlines that a timely, predictable, transparent and accurate assessment of needs based on comprehensive budgetary information is an essential tool to reach this objective.



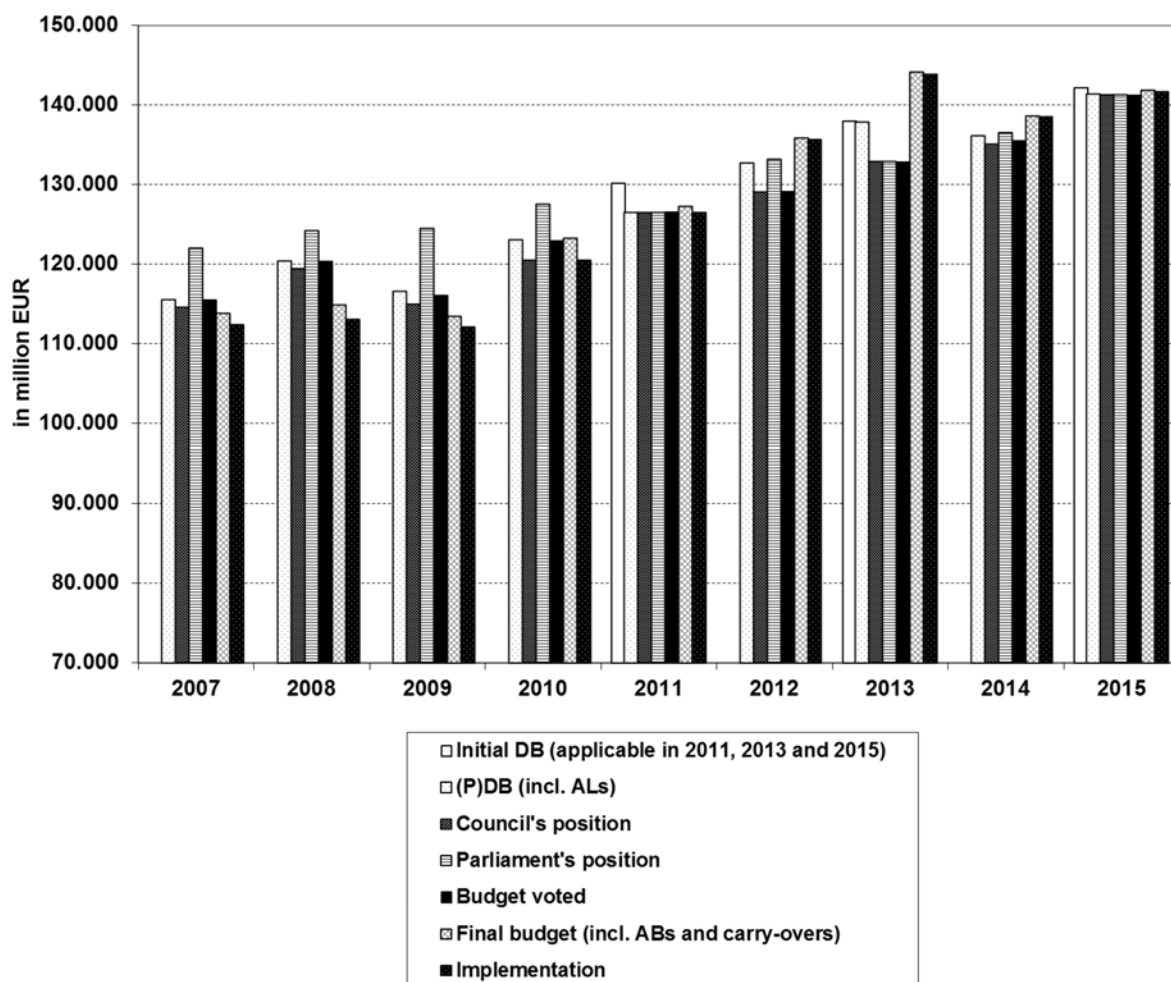
The Council reiterates the need to leave sufficient margins under the ceilings in order to be able to deal with unforeseen circumstances while providing an adequate level of funding and respecting the commitments already made. Moreover, the Council emphasises the importance of keeping amending budgets to a minimum and providing reliable and precise forecasts of revenue, allowing Member States to assess in a timely manner their expected contributions to the EU budget.

The Council reiterates the great importance it attaches to these guidelines and expects them to be duly taken into account when preparing the draft budget for 2017.

These guidelines will be forwarded to the European Parliament and the Commission, as well as to the other institutions.

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### Evolution of payment appropriations (2007 - 2015)



## EVOLUTION OF PAYMENT APPROPRIATIONS (2007-2015)

(excluding assigned revenues)

Budgetary procedure	(P)DB	(P)DB (ALs incl.)	Council's position	Parliament's position	Budget voted	Final budget (incl. ABs and net carry-overs) <sup>2</sup>	Implementation <sup>3</sup>	Final budget - implementation (figures)	Final budget - implementation (%)	Implementation / (P)DB (ALs incl.) (%)
	1	2	3	4	5	6 (= 4 - 5)	7 (= 6/4)	8 (= 5/2)		
2007	116 370	115 531	114 613	122 016	115 497	113 835	112 377	1 458	1,28%	97,27%
2008	121 533	120 347	119 410	124 196	120 347	114 835	113 070	1 765	1,54%	93,95%
2009	116 744	116 546	114 972	124 488	116 096	113 395	112 107	1 288	1,14%	96,19%
2010	122 316	123 061	120 521	127 526	122 937	123 203	120 490	2 713	2,20%	97,91%
2011	126 527 <sup>4</sup>	126 527	126 527	126 527	126 527	127 219	126 497	722	0,57%	99,98%
2012	132 739	132 668	129 088	133 139	129 088	135 842	135 602	240	0,18%	102,21%
2013	137 798 <sup>5</sup>	137 798	132 837	132 837	132 837	144 057	143 785	272	0,19%	104,34%
2014	136 066	136 061	135 005	136 444	135 505	138 577	138 440	137	0,10%	101,75%
2015	141 337 <sup>6</sup>	141 337	141 214	141 214	141 214	141 775 <sup>7</sup>	141 595 <sup>7</sup>	179	0,13%	100,18%
<b>Total</b>	<b>1 151 430</b>	<b>1 149 877</b>	<b>1 134 187</b>	<b>1 168 388</b>	<b>1 140 048</b>	<b>1 152 737</b>	<b>1 143 963</b>	<b>8 774</b>	<b>0,76%</b>	<b>99,49%</b>

<sup>1</sup> All absolute figures in nominal prices.

<sup>2</sup> Including the budget voted, as amended, and appropriations carried over from year N-1 and excluding appropriations carried forward to year N+1.

<sup>3</sup> Implementation of the final budget, as amended, including carry-overs.

<sup>4</sup> The initial DB for 2011 amounted to EUR 130 136 million. A new DB was presented by the Commission in November 2010.

<sup>5</sup> The initial DB for 2013 amounted to EUR 137 924 million. A new DB was presented by the Commission in November 2012.

<sup>6</sup> The initial DB for 2015 amounted to EUR 142 137 million. A new DB was presented by the Commission in November 2014.

<sup>7</sup> Provisional figures.

DRAFT LETTER

from : President of the Council

to : President of the European Parliament  
Secretary-General of the Council  
President of the Commission  
President of the Court of Justice  
President of the Court of Auditors  
President of the Committee of the Regions  
President of the European Economic and Social Committee  
European Ombudsman  
European Data Protection Supervisor  
High Representative of the Union for Foreign Affairs and Security Policy

Dear Madam / Dear Sir,

I am sending you under separate cover<sup>1</sup> the Council's conclusions on the budget guidelines for 2017, adopted by the Council at its meeting on 12 February 2016.

[Complimentary close].

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<sup>1</sup> Doc. 5588/16 FIN 61 INST 20 PE-L 7.