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REPORT

From: Budget Committee
To: Permanent Representatives Committee/Council
Subject: Council conclusions on the budget guidelines for 2019
– *Adoption*

1. By way of preparation of the budget guidelines for 2019 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 8 February 2018, 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 20 February 2018; 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 2019**

Introduction

1. The Council considers that the budget for 2019 should ensure prudent budgeting and provide adequate resources to support clearly set priorities, while leaving sufficient margins under the ceilings. The EU budget should seek to boost growth, promote employment and create new jobs, enhance effective EU cohesion and agriculture, foster competitiveness and tackle the internal and external dimension of the migration, security challenges and protection of the external borders. Prioritisation of objectives should be fostered, along with the allocation of sufficient resources to programmes and actions that contribute the most towards achieving these aims. In addition, the budget should allow commitments already made under the current and previous programming periods to be honoured in due time in order to avoid any unpaid claims.

Sufficient commitment margins under the ceilings are essential in order to be able to deal with unforeseen circumstances.

2. The Council considers that budgetary discipline must be maintained at all levels and that the MFF, the Mid-term Review of the MFF (MTR) and past commitments must be respected.
3. The Council recalls the need for solidarity and underlines that transparent and effective use of the EU budget will bolster the credibility of the Union with the European citizens.
4. The Council emphasizes the need for predictability of both Member States' contributions to the Union's budget and transfers from the EU budget to Member States.

5. The Council takes note of the "Joint report from the negotiators of the European Union and the United Kingdom government on progress during phase 1 of negotiations under Article 50 TEU on the United Kingdom's orderly withdrawal from the European Union" of 8 December 2017 and in particular its chapter on financial settlement.
6. The Council urges the Commission to present the draft estimates for the 2019 budget as early as possible, and preferably by the beginning of May, in order to avoid unnecessary overlapping with other budget-related processes which will take place in 2018.
7. The Council invites the Commission to prepare a budget in line with the aforementioned objectives, including a focus on areas that deliver EU added value.

Key elements of the budget for 2019

8. The Council reiterates the need for a realistic budget respecting the principles of sound financial management and annuality. In drawing up the draft budget for 2019, the Commission should take into account the close relation between commitment and payment levels, the volume of outstanding commitments, the need to respect the MFF ceilings, the absorption capacity and past implementation rates and the acceleration of the implementation of the 2014-2020 programmes under shared management.
9. As for the commitment and payment appropriations, their level should be kept under strict control and should be based on actual needs. Establishing an adequate level of payment appropriations is of high importance and it should be based on accurate forecasts and reflect the payment profiles, which should be regularly updated, of all programmes with a clear focus on the expected needs for the current programming period.

10. The Council emphasises that the budget for 2019 and corrective budgetary tools shall strictly respect the MTR and the relevant ceilings of the MFF Regulation for the period 2014-2020¹. In this context the Council calls on the Commission to clearly show the budget lines from and to which the appropriations have been and will be redeployed and/or granted as top-ups, in accordance with the MTR agreement, during the impacted period, and especially in 2019. The Council specifically calls on the Commission to clearly show how the top-ups in sub-heading 1a granted in the budgets 2017 and 2018 will be redeployed in the budget for 2019 and 2020. Moreover, the Council reiterates the need to leave sufficient margins under the ceilings in order to be able to deal with unforeseen events.
11. The Council calls on the Commission to continue monitoring the implementation of the 2014-2020 programmes in order to ensure an orderly progression of payment appropriations consistent with the authorised commitment appropriations, thereby pre-empting future accumulation of outstanding bills.
12. The Council expects the Commission 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 justified minimum and in line with the Financial Regulation², primarily financed by redeployments, and should be introduced in a timely manner in order to avoid disruptions on the functioning of the Union programmes. The Council strongly invites the Commission to propose redeployments within the same heading, as foreseen in the Financial Regulation. The Council encourages the Commission to continue to rationalise the submission of draft amending budgets thereby contributing to increasing predictability within the budgetary cycle. If corrective measures prove to be necessary, the Council reaffirms its strong commitment to take a position on draft amending budgets as soon as possible.

¹ 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).

² 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).

13. As in the previous years, the Council calls on 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. It is crucial that the Commission's forecasts on all sources of revenue and the past and expected implementation are reliable and accurate in order to avoid either under- or over-budgeting, as well as unjustified and excessive carry-overs. This will allow the European Parliament and the Council to assess any possible requests for additional appropriations or redeployment of existing resources.
14. 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. The Council recalls that according to the Treaty the Commission has the possibility and the responsibility to review and adjust the estimates of expenditure for the following year provided by institutions before they are presented in the draft budget. In this context, the Council calls upon all actors, and notably the Commission, to undertake appropriate measures so that unexpected calls for increased or decreased contributions from the Member States, especially when the impact on national budgets could be high, can be avoided.
15. The Council recalls the principle of unity of the budget and calls on the Commission to cater for the necessary financial means in order to implement the Union's policies within the EU budget. Hence, full transparency with respect to assigned revenues and carry-overs is crucial for the sound financial management of Union funds. The Council calls on all institutions, agencies and other bodies to continue providing all the relevant information as soon as it is available and on a regular basis.

16. The Council recalls that all fines, penalties and accrued interest imposed by the Commission shall be transparently recorded as budgetary revenue in line with the provisions of the Financial Regulation.
17. The Council is concerned about the level of outstanding commitments (RAL)³ and will continue to oversee its evolution. It calls on the Commission to continue monitoring 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. The Council expects the Commission to present a payment forecast for the years 2019-2020 and beyond before July 2018 and to regularly update it.

Specific issues

Comprehensive budgetary documents

18. The Council encourages the Commission to continuously improve the content of its budgetary documents by making them simpler, concise and transparent, clearly justifying the requested appropriations, including their repercussion in terms of payment profiles for the following years until 2020 and beyond. In this regard, the Council invites the Commission to accompany any proposal modifying the agreed level of commitment appropriations and any proposal of mobilisation of special instruments with the corresponding impact in terms of payments over the current and next programming periods. Given that the new Financial Regulation, under discussion, foresees in its Article 39 that additional or more extensive information, compared to the current situation, is provided by the Commission when submitting the draft budget, the Council invites the Commission to consider to what extent it would be feasible to provide such information already in respect of the 2019 draft budget.

³ According to the Commission's implementation report of 18 January 2018, the level of Commission's outstanding commitments (RAL) amounted to EUR 267.1 billion at the end of 2017.

19. 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 a backlog. It recalls that this reporting exercise should include regularly updated payment forecasts to be discussed at dedicated interinstitutional meetings, in line with point 36§3 of the Annex to the Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management (IIA)⁴.
20. The Council invites the Commission to annex to the draft budget and to regularly update a comprehensive list of Commission proposals not yet adopted and which have a potential impact on the budget by budget line, including the level of appropriations concerned, and on the number of staff.
21. The Council also invites the Commission to accompany the draft budget with a comprehensive table for the year 2019 consolidating an estimate of all types of internal assigned revenues by budget line, an overview of the fines likely to be recorded as budgetary revenue, as well as comprehensive information on the implementation of the special instruments both in commitment and payment appropriations.
22. The Council welcomes the good practice of accompanying every proposal for a transfer of appropriations related to a mobilisation of the European Globalisation Adjustment Fund and the Emergency Aid Reserve with an update of the level of implementation of the maximum annual amounts set for the special instrument in the financial year. Likewise, the Council invites the Commission to provide a regular update on the level of implementation of the advance payments related to the European Union Solidarity Fund.

⁴ 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).

23. When proposing the mobilisation of a special instrument, the Council invites the Commission to include in its proposal an update of the level of implementation of both commitment and payment appropriations of the respective special instrument.
24. 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, including the results achieved, on 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

25. The Council encourages all institutions to collaborate efficiently and constructively, allowing for a smooth budgetary procedure and the establishment of the budget for 2019 within the deadlines set by the Treaty on the Functioning of the European Union (TFEU) and in line with the provisions of the IIA.
26. The Council calls on the Commission to ensure the timely presentation of the statement of estimates for 2019, allowing each institution enough time to undertake a detailed technical analysis of the disseminated estimates and to prepare thoroughly its position in accordance with an agreed pragmatic calendar.
27. 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 2019.
28. The Council calls on 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

29. The EU's administrative expenditure should be further rationalised. Therefore, the Council urges all institutions to reduce or freeze their administrative expenditure as much as possible and to request financing only for justified needs. The Council considers that a deeper cooperation among all institutions and EU bodies, including the sharing of services, is necessary to find other savings.
30. The Council calls on every institution and EU body to provide the Commission with clear, comprehensive and consolidated information of their administrative expenditure in a timely manner. 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 of resources. Due attention should be paid to the comprehensibility and comparability over time and between institutions of the information provided. Every EU institution and body should provide clear and concise information on past implementation of their budgets for 2014, 2015 and 2016, specifying the amount of carry-overs and assigned revenue disbursed.
31. The Council considers that the level of staff of all institutions, bodies and agencies needs to be kept under continuous monitoring and control. In this context the Council takes note of the European Court of Auditors' rapid case review⁵ which is a quantitative assessment on how the European Union institutions, bodies and agencies implemented the commitment made in the Interinstitutional Agreement of 2 December 2013 to reduce posts in their establishment plans by 5 % during the period 2013-2017. In this respect, the Council considers it important that the 5 % reduction of posts based on the 2012 establishment plans is respected and urges those EU institutions, bodies and agencies that have not yet met the target to carry out the remaining reductions.

⁵ European Court of Auditors "Rapid case review on the implementation of the 5 % reduction of staff posts": <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44567>.

32. While recognising that during the period 2013-2017 some EU institutions, bodies and agencies were tasked with new responsibilities, and equipped with appropriate new resources, the Council considers that the gap between the expectations and the outcome is significant. In this context, the Council acknowledges that by focusing solely on the headcount, the methodology chosen was not suited to achieve the goal of reducing administrative expenditure.
33. The Council invites the Commission to put forward appropriate follow-up measures in order to truly stabilize the administrative costs and to keep the overall number of staff, including contract agents, under control.

Furthermore, the Council reiterates the need for a qualitative evaluation of the results of the 5 % target implementation by the Court as soon as possible.

Decentralised agencies

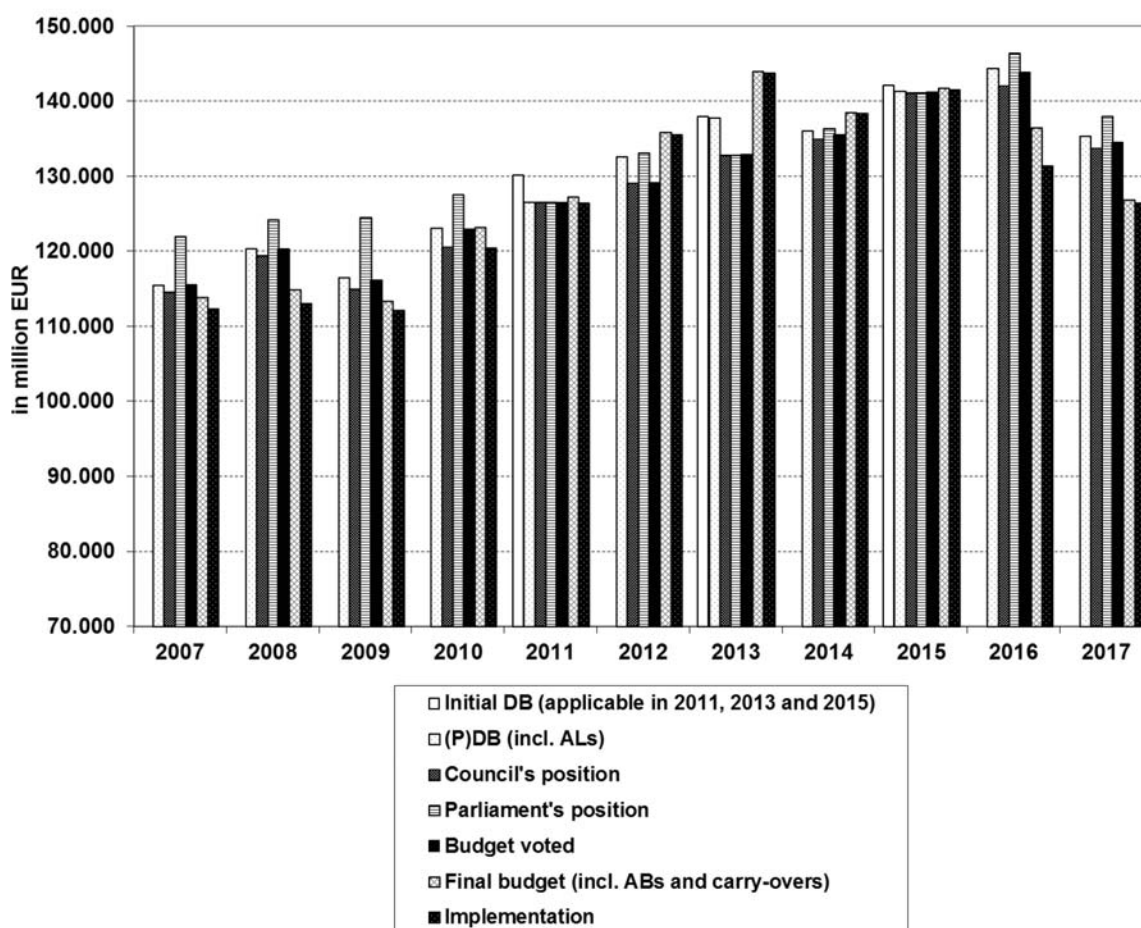
34. While recognising the multiannual character of the actions carried out by some decentralised agencies, the Council recalls that over-budgeting has led in the past to a substantial and unjustified level of carry-overs. It reiterates the importance of keeping the funding of these agencies under firm control and limiting it only to justified needs. The Council calls on the Commission, when establishing its draft budget for 2019, to continue taking into account unused appropriations. It also calls on 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, and the compliance with the 5 % staff reduction target.
35. 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 2019.

Conclusion

36. The Council considers that the EU budget for 2019 should fully respect the existing framework, the MTR and commitments made in the past and calls for prudent budgeting and sufficient margins. The 2019 budget should provide sufficient resources in order to further strengthen the European economy by reinforcing smart and inclusive growth and jobs, to enhance effective EU cohesion and agriculture, and to effectively respond to current and forthcoming challenges. The budget should in particular include measures to tackle the challenges related to internal and external dimension of migration and to protection of external borders, as well as to security crises, and to contribute to the political and economic stability in the EU's neighbouring countries. The Council underlines that a transparent, accurate and accountable use of Union's resources is an overarching principle to bring the EU citizens closer to the European project.
37. The Council will support a realistic budget for 2019, which is in 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.
38. The Council reiterates the need to respect the adjustments made in the context of the MTR and the relevant ceilings of the MFF Regulation for the period 2014-2020. Sufficient margins under the ceilings are essential in order to be able to deal with unforeseen circumstances while providing an adequate level of funding and respecting the commitments already made in the light of the acceleration of the implementation of the 2014-2020 period programmes. Moreover, the Council emphasises the importance of providing reliable and precise forecasts of revenue, allowing Member States to assess in a timely manner their expected contributions to the EU budget.

39. The Council reiterates the great importance it attaches to these guidelines and expects the Commission to duly take them into account in the preparation of the draft budget for 2019.
 40. 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 - 2017)



EVOLUTION OF PAYMENT APPROPRIATIONS (2007-2017)
(excluding assigned revenues)

| Budgetary procedure | (EUR million) ¹ | | | | | | | | | | |
|---------------------|----------------------------|------------------|--------------------|-----------------------|--------------------|---|-----------------------------|---|-----------------------------------|--|--|
| | 1 | 2 | Council's position | Parliament's position | Budget voted | Final budget (incl. ABs and net carry-overs) ² | Implementation ³ | Final budget - implementation (figures) | Final budget - implementation (%) | Implementation / (P)DB (ALs incl.) (%) | |
| | | 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 ⁴ | 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 ⁵ | 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 ⁶ | 141 337 | 141 214 | 141 214 | 141 214 | 141 769 | 141 586 | 183 | 0,13% | 100,18% | |
| 2016 | 143 541 | 144 456 | 142 120 | 146 459 | 143 885 | 136 517 | 131 400 | 5 117 | 3,75% | 90,96% | |
| 2017 | 134 899 | 135 422 | 133 790 | 138 029 | 134 490 | 126 877 ⁷ | 126 416 ⁷ | 461 | 0,36% | 93,35% | |
| Total | 1 429 870 | 1 429 754 | 1 410 096 | 1 452 876 | 1 418 424 | 1 416 125 | 1 401 770 | 14 356 | 1,01% | 98,04% | |

¹ All absolute figures in nominal prices.

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

³ Implementation of the final budget, as amended, including carry-overs.

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

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

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

⁷ 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 cover¹ the Council's conclusions on the budget guidelines for 2019, adopted by the Council at its meeting on 20 February 2018.

[Complimentary close].

¹ Doc. 5939/18.