



Council of the  
European Union

020123/EU XXVI. GP  
Eingelangt am 04/05/18

Brussels, 4 May 2018  
(OR. en)

8355/18

CADREFIN 37  
RESPR 3  
POLGEN 51  
FIN 343

## PROPOSAL

---

From: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 4 May 2018

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
the European Union

---

No. Cion doc.: COM(2018) 323 final

---

Subject: Proposal for a Interinstitutional Agreement between the European  
Parliament, the Council and the Commission on budgetary discipline, on  
cooperation in budgetary matters and on sound financial management

---

Delegations will find attached document COM(2018) 323 final.

---

Encl.: COM(2018) 323 final



Brussels, 2.5.2018  
COM(2018) 323 final

Proposal for a

**Interinstitutional Agreement**

**between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management**

THE EUROPEAN PARLIAMENT, THE COUNCIL OF THE EUROPEAN UNION AND  
THE EUROPEAN COMMISSION,

hereinafter referred to as the institutions,

HAVE AGREED AS FOLLOWS:

1. The purpose of this Agreement, adopted in accordance with Article 295 of the Treaty on the Functioning of the European Union (TFEU), is to implement budgetary discipline and improve the functioning of the annual budgetary procedure and cooperation between the institutions on budgetary matters as well as to ensure sound financial management.
2. Budgetary discipline in this Agreement covers all expenditure. The Agreement is binding on all the institutions for as long as it is in force.
3. This Agreement does not alter the respective budgetary powers of the institutions as laid down in the Treaties, in Council Regulation [(EU, Euratom) No XXXX/20XX<sup>1</sup> ('the MFF Regulation')] and in Regulation [(EU, Euratom) No XXXX/20XX] of the European Parliament and of the Council<sup>2</sup> ('the Financial Regulation').
4. Any amendment of this Agreement requires the common agreement of all the institutions.
5. This Agreement is in three parts:
  - Part I contains provisions related to the multiannual financial framework (MFF) and to the special instruments.
  - Part II relates to interinstitutional cooperation during the budgetary procedure.
  - Part III contains provisions related to the sound financial management of Union funds.
6. This Agreement enters into force on XX/XX/XXXX and replaces the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>3</sup>.

---

<sup>1</sup> OJ L , p. .

<sup>2</sup> OJ L..., p.

<sup>3</sup> OJ C 373, 20.12.2013, p. 1.

# **PART I**

## **MFF AND SPECIAL INSTRUMENTS**

### **A. PROVISIONS RELATED TO THE MFF**

7. The institutions shall, for the purposes of sound financial management, ensure as far as possible during the budgetary procedure and at the time of the budget's adoption that sufficient margins are left available beneath the ceilings for the various headings of the MFF.

#### *Updating of forecasts for payment appropriations after 2027*

8. In 2024, the Commission shall update the forecasts for payment appropriations after 2027.

That update shall take into account all relevant information, including the real implementation of budget appropriations for commitments and budget appropriations for payments, as well as the implementation forecasts. It shall also consider the rules designed to ensure that payment appropriations develop in an orderly manner compared to commitment appropriations and the growth forecasts of the Union's Gross National Income.

### **B. PROVISIONS RELATED TO THE SPECIAL INSTRUMENTS**

#### *European Globalisation Adjustment Fund*

9. When the conditions for mobilising the European Globalisation Adjustment Fund, as set out in the relevant basic act, are met, the Commission shall submit to the European Parliament and the Council a proposal for a transfer to the relevant budgetary lines.

Transfers related to the Globalisation Adjustment Fund shall be made in accordance with the Financial Regulation.

#### *European Union Solidarity Fund*

10. When the conditions for mobilising the European Union Solidarity Fund as set out in the relevant basic act are met, the Commission shall make a proposal for the appropriate budgetary instrument in accordance with the Financial Regulation.

#### *Emergency Aid Reserve*

11. When the Commission considers that the Emergency Aid Reserve needs to be called on, it shall present to the European Parliament and the Council a proposal for a transfer from the Reserve to the corresponding budgetary lines in accordance with the Financial Regulation.

#### *Flexibility Instrument*

12. The Commission shall make a proposal for the mobilisation of the Flexibility Instrument after it has examined all possibilities for re-allocating appropriations under the heading requiring additional expenditure.

The proposal shall identify the needs to be covered and the amount. Such a proposal may be made in relation to a draft budget or draft amending budget.

The Flexibility Instrument may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure set out in Article 314 TFEU.

*Contingency Margin*

13. The mobilisation of the Contingency Margin, or part thereof, shall be proposed by the Commission after a thorough analysis of all other financial possibilities. Such a proposal may be made in relation to a draft budget or draft amending budget.

The Contingency Margin may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure set out in Article 314 TFEU.

## **PART II**

# **IMPROVEMENT OF INTERINSTITUTIONAL COOPERATION IN BUDGETARY MATTERS**

### **A. INTERINSTITUTIONAL COOPERATION PROCEDURE**

14. The details of interinstitutional cooperation during the budgetary procedure are set out in the Annex.

#### *Budgetary Transparency*

15. The Commission shall prepare an annual report to accompany the general budget of the Union, bringing together available and non-confidential information relating to:
- the assets and liabilities of the Union, including those arising from borrowing and lending operations carried out by the Union in accordance with its powers under the Treaties,
  - the revenue, expenditure, assets and liabilities of the European Development Fund (EDF)<sup>4</sup>, the European Financial Stability Facility (EFSF), the European Stability Mechanism (ESM), and other possible future mechanisms,
  - the expenditure incurred by Member States in the framework of enhanced cooperation, to the extent that it is not included in the general budget of the Union.

### **B. INCORPORATION OF FINANCIAL PROVISIONS IN LEGISLATIVE ACTS**

16. Each legislative act, concerning a multiannual programme, adopted under the ordinary legislative procedure shall contain a provision in which the legislator lays down the financial envelope for the programme.

That amount shall constitute the prime reference amount for the European Parliament and the Council during the annual budgetary procedure.

The European Parliament and the Council, and the Commission when it draws up the draft budget, undertake not to depart by more than 15 % from that amount for the entire duration of the programme concerned, unless new, objective, long-term circumstances arise for which explicit and precise reasons are given, with account being taken of the results obtained from implementing the programme, in particular on the basis of assessments. Any increase resulting from such variation shall remain beneath the existing ceiling for the heading concerned, without prejudice to the use of instruments mentioned in the MFF Regulation and in this Agreement.

---

<sup>4</sup> As set out in the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies (OJ L 210, 6.8.2013) and the preceding Internal Agreements.

This Point does not apply to appropriations for cohesion adopted under the ordinary legislative procedure and pre-allocated by Member States, which contain a financial envelope for the entire duration of the programme nor to the large scale projects referred to in Article 21 of the MFF Regulation.

17. Legally binding Union acts concerning multiannual programmes not subject to the ordinary legislative procedure shall not contain an ‘amount deemed necessary’.

Should the Council wish to include a financial reference amount, that amount shall be taken as illustrating the will of the legislator and shall not affect the budgetary powers of the European Parliament and the Council as set out in the TFEU. A provision to this effect shall be included in all legally binding Union acts which contain such a financial reference amount.

### **C. EXPENDITURE RELATING TO FISHERIES AGREEMENTS**

18. Expenditure on fisheries agreements shall be subject to the following specific rules.

The Commission undertakes to keep the European Parliament regularly informed about the preparation and conduct of the negotiations, including their budgetary implications.

In the course of the legislative procedure relating to fisheries agreements, the institutions undertake to make every effort to ensure that all procedures are carried out as quickly as possible.

Amounts provided for in the budget for new fisheries agreements or for the renewal of fisheries agreements which come into force after January 1 of the related financial year shall be put in reserve.

If appropriations relating to fisheries agreements (including the reserve) prove insufficient, the Commission shall provide the European Parliament and the Council with the necessary information, on the causes of the situation, and on measures which might be adopted under established procedures. Where necessary, the Commission shall propose appropriate measures.

Each quarter, the Commission shall present to the European Parliament and the Council detailed information about the implementation of fisheries agreements in force and a financial forecast for the remainder of the year.

19. Without prejudice to the relevant procedure governing the negotiation of fisheries agreements, the European Parliament and the Council commit themselves, in the framework of budgetary cooperation, to arrive at a timely agreement on the adequate financing of fisheries agreements.

### **D. FINANCING OF THE COMMON FOREIGN AND SECURITY POLICY (CFSP)**

20. The total amount of CFSP operating expenditure shall be entered entirely in one budget chapter, entitled CFSP. That amount shall cover the real predictable needs, assessed in the framework of the establishment of the draft budget, on the basis of forecasts drawn up annually by the High Representative of the Union for Foreign

Affairs and Security Policy (the ‘High Representative’). A reasonable margin shall be allowed for to cover unforeseen actions. No funds may be entered in a reserve.

21. As regards CFSP expenditure which is charged to the general budget of the Union in accordance with Article 41 of the Treaty on European Union, the institutions shall endeavour, in the Conciliation Committee, and on the basis of the draft budget established by the Commission, to secure agreement each year on the amount of the operating expenditure, and on the distribution of that amount between the articles of the CFSP budget chapter. In the absence of agreement, it is understood that the European Parliament and the Council shall enter in the budget the amount contained in the previous budget or the amount proposed in the draft budget, whichever is the lower.

The total amount of CFSP operating expenditure shall be distributed between the articles of the CFSP budget chapter as suggested in the third paragraph. Each article shall cover actions already adopted, actions which are foreseen but not yet adopted and amounts for future — that is unforeseen — actions to be adopted by the Council during the financial year concerned.

Within the CFSP budget chapter, the articles into which the CFSP actions are to be entered could read along the following lines:

- single major missions as referred to in Article 52(1)(f) of the Financial Regulation,
- other missions (for crisis management operations, conflict prevention, resolution and stabilisation, and monitoring and implementation of peace and security processes),
- non-proliferation and disarmament,
- emergency measures,
- preparatory and follow-up measures,
- European Union Special Representatives.

Since, under the Financial Regulation, the Commission has the authority to transfer appropriations autonomously between articles within the CFSP budget chapter, the flexibility deemed necessary for speedy implementation of CFSP actions shall accordingly be assured. In the event of the amount of the CFSP budget chapter during the financial year being insufficient to cover the necessary expenses, the European Parliament and the Council shall seek a solution as a matter of urgency, on a proposal from the Commission.

22. Each year, the High Representative shall consult the European Parliament on a forward-looking document, which shall be transmitted by June 15 of the year in question, setting out the main aspects and basic choices of the CFSP, including the financial implications for the general budget of the Union, an evaluation of the measures launched in the year n-1 and an assessment of the coordination and complementarity of CFSP with the Union’s other external financial instruments. Furthermore, the High Representative shall keep the European Parliament regularly informed by holding joint consultation meetings at least five times a year, in the

framework of the regular political dialogue on the CFSP, to be agreed at the latest on 30 November each year. Participation in those meetings shall be determined by the European Parliament and the Council respectively, bearing in mind the objective, and the nature of the information exchanged in those meetings.

The Commission shall be invited to participate in those meetings.

If the Council adopts a decision in the field of the CFSP entailing expenditure, the High Representative shall immediately, and in any event no later than five working days thereafter, send the European Parliament an estimate of the costs envisaged (a 'financial statement'), in particular those costs regarding time-frame, staff employed, use of premises and other infrastructure, transport facilities, training requirements and security arrangements.

Once a quarter, the Commission shall inform the European Parliament and the Council about the implementation of CFSP actions and the financial forecasts for the remainder of the financial year.

#### **E. INVOLVEMENT OF THE INSTITUTIONS AS REGARDS DEVELOPMENT POLICY ISSUES**

23. The Commission shall establish an informal dialogue with the European Parliament on development policy issues regardless of their source of financing.

## **PART III**

# **SOUND FINANCIAL MANAGEMENT OF UNION FUNDS**

### **A. FINANCIAL PROGRAMMING**

24. The Commission shall submit twice a year, the first time together with the documents accompanying the draft budget and the second time after the adoption of the general budget of the Union, a complete financial programming for headings I, II (except the sub-ceiling for 'economic, social and territorial cohesion'), III (for 'environment and climate' and 'maritime and fisheries'), IV, V and VI of the MFF. That programming, structured by heading, policy area and budget line, should identify:
- (a) the legislation in force, with a distinction being drawn between multiannual programmes and annual actions:
    - for multiannual programmes, the Commission should indicate the procedure under which they were adopted (ordinary or special legislative procedure), their duration, the total financial envelope and the share allocated to administrative expenditure,
    - for annual actions (relating to pilot projects, preparatory actions and agencies) and actions financed under the prerogatives of the Commission, the Commission should provide multiannual estimates.
  - (b) pending legislative proposals: ongoing Commission proposals, with the latest update.

The Commission should consider ways of cross-referencing the financial programming with its legislative programming to provide more precise and reliable forecasts. For each legislative proposal, the Commission should indicate whether it is included in the programming communicated at the time of the Draft Budget or after the final adoption of the Budget. The European Parliament and the Council should in particular be informed of:

- (a) all new legislative acts adopted and all pending proposals presented but not included in programming communicated at the time of the Draft Budget or after the final adoption of the Budget (with the corresponding amounts);
- (b) legislation foreseen in the Commission's annual legislative work programme, with an indication of whether the actions are likely to have a financial impact.

Whenever necessary, the Commission should indicate the reprogramming entailed by new legislative proposals.

### **B. AGENCIES AND EUROPEAN SCHOOLS**

25. Before presenting a proposal for the creation of a new agency, the Commission should produce a sound, complete and objective impact assessment, taking into account, inter alia, the critical mass of staff and competencies, cost-benefit aspects, subsidiarity and proportionality, the impact on national and Union activities, and the

budgetary implications for the expenditure heading concerned. On the basis of that information and without prejudice to the legislative procedures governing the setting up of the agency, the European Parliament and the Council commit themselves, in the framework of budgetary cooperation, to arrive at a timely agreement on the financing of the proposed agency.

The following procedural steps shall be applied:

- firstly, the Commission shall systematically present any proposal for setting up a new agency to the first trilogue following the adoption of its proposal, and shall present the financial statement accompanying the draft legal act proposing the creation of the agency and shall illustrate the consequences thereof for the remaining period of the financial programming,
- secondly, during the legislative process, the Commission shall assist the legislator in assessing the financial consequences of the amendments proposed. Those financial consequences should be considered during the relevant legislative trilogues,
- thirdly, before the conclusion of the legislative process, the Commission shall present an updated financial statement taking into account potential modifications by the legislator; this final financial statement shall be placed on the agenda of the final legislative trilogue and formally endorsed by the legislator. It shall also be placed on the agenda of a subsequent budgetary trilogue (in urgent cases, in simplified form), in view of reaching an agreement on the financing,
- fourthly, the agreement reached during a trilogue, taking into account the Commission's budgetary assessment with regard to the content of the legislative process, shall be confirmed in a joint declaration. That agreement shall be subject to approval by the European Parliament and the Council, each in accordance with its own rules of procedure.

The same procedure would be applied to any amendment to a legal act concerning an agency which would have an impact on the resources of the agency in question.

Should the tasks of an agency be modified substantially without an amendment to the legal act setting up the agency in question, the Commission shall inform the European Parliament and the Council by means of a revised financial statement, so as to allow the European Parliament and the Council to arrive at a timely agreement on the financing of the agency.

26. Relevant provisions from the Common Approach annexed to the Joint Statement of the European Parliament, the Council of the European Union and the European Commission on decentralised agencies signed on 19 July 2012 should be duly taken into account in the budgetary procedure.
27. When the creation of a new European school is envisaged by the Board of Governors, a similar procedure is to be applied, *mutatis mutandis*, for its budgetary implications on the general budget of the Union.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

*For the Commission*  
*The President*