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INST 19
PE-L 2

REPORT

From: Budget Committee
To: Permanent Representatives Committee/Council
Subject: Council conclusions on the budget guidelines for 2020
– *Adoption*

1. By way of preparation of the budget guidelines for 2020 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 29 January 2019, 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 2019; 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 2020**

Introduction

1. The Council underlines that the budgetary procedure for 2020 will be the last of the programming period 2014-2020. In this regard, the budget will play an important role in the delivery of the Union's objectives and priorities under the multiannual financial framework (MFF).
2. The Council considers that the budget for 2020 should ensure prudent budgeting and leave sufficient margins under the ceilings to deal with unforeseen circumstances. At the same time sufficient resources should be allocated to programmes and actions that contribute most towards achieving Union policies. In addition, the budget should allow commitments already made under the current MFF to be paid in due time, in order to avoid any unpaid claims, in particular in cohesion policy.
3. 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. The Council stresses the need to finance all necessary expenditure as far as possible without recourse to funding mechanisms outside the MFF that compromise budgetary principles. As a general rule, no recommitment or extension of decommitment periods should occur.
4. The Council emphasises the need for predictability of both Member States' contributions to the Union's budget and transfers from the EU budget to Member States, recalling that both over- and under-budgeting pose unwelcome challenges for national budgets. Corrective budgetary tools, such as amending budgets, should be kept to a strict minimum, be presented to the Council as early as possible and be financed primarily by redeployments.

5. The Council takes note of Chapter 2 of Part Five of the draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, according to which, for the years 2019 and 2020, in accordance with Part Four, the United Kingdom is to contribute to and participate in the implementation of the Union budgets.
6. The Council urges the Commission to present the draft budget for 2020 as early as possible, in order to allow the Council to analyse it properly.

Key elements of the budget for 2020

7. The Council reiterates the need for a realistic budget respecting the principles of sound financial management and annuality. When establishing the draft budget for 2020, 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 the acceleration of the implementation of programmes.
8. As for commitment and payment appropriations, their level should be kept under control and should be based on justified needs. Establishing an adequate level of payment appropriations for the last year of the programming period is of high importance in order to ensure an orderly progression of payment appropriations consistent with the authorised commitment appropriations, thereby pre-empting future accumulation of outstanding bills. When preparing the draft budget, the Commission should take into account the significantly improved forecasts submitted by Member States and that contracting on the ground has advanced.

9. Without prejudice to Point 8¹ of the Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management (IIA)², the Council stresses the need to leave sufficient commitment margins under all headings. Therefore, the mobilisation of special instruments for commitments should be limited. If they are needed to finance specified unforeseen circumstances, they should be submitted only after other options have been exhausted.
10. The Council emphasises that the budget for 2020 should strictly respect the relevant ceilings of the MFF Regulation for the period 2014-2020³ and the MTR. 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 2020. The Council specifically calls on the Commission to clearly indicate how the top-ups in heading 1 related to the MTR are redeployed or offset in the budget for 2020. The Council expects the Commission to respect the agreed payment schedules for guarantee funds, in particular the European Fund for Strategic Investments (EFSI).

¹ "8. *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, except in the sub-heading "Economic, social and territorial cohesion".*"

² 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).

³ 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).

11. 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 a justified minimum and in line with the Financial Regulation⁴, and primarily financed by redeployments, and should be introduced in a timely manner in order to avoid disruptions in the functioning of the Union programmes. 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.
12. As in 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 Council to assess any possible requests for additional appropriations or the redeployment of existing resources.
13. 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 spending DGs and other institutions before they are presented in the draft budget. In this context, the Council calls upon all actors, and notably upon the Commission, to undertake appropriate measures in order to avoid unexpected calls for an increase or a decrease in contributions from Member States, especially when the impact on national budgets could be significant.
14. 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. Full transparency is crucial for the sound financial management of Union funds, hence the Commission should provide all relevant information as soon as it is available,

⁴ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

including on assigned revenues. The Council calls on all institutions, agencies and other bodies to continue providing all relevant information promptly as soon as it is available and on a regular basis.

15. All institutions, agencies and other bodies should properly estimate the assigned revenue for the coming year and include it in their draft estimates. The Council invites the Commission to take those estimates into account when drafting the budget for 2020.
16. The Council recalls that all fines, penalties and accrued interest imposed by the Commission should be transparently entered in the budget in line with the provisions of the Financial Regulation.
17. The Council is concerned about the level of outstanding commitments (RAL)⁵ and will continue to oversee its evolution. It calls on the Commission to continue monitoring carefully the evolution of the RAL by heading and by programme on a regular basis, and to settle or decommit outstanding commitments in a timely manner and in line with the relevant rules. The Council expects the Commission to present a payment forecast for the year 2020 and beyond before July 2019 and to regularly update it.

⁵ According to the Commission's implementation report, the level of Commission's outstanding commitments (RAL) amounted to EUR 299 998.99 million as at 30 November 2018.

Specific issues

Comprehensive budgetary documents

18. The Council encourages the Commission to continuously improve the content of its budgetary documents by making them simpler, as well as more concise and transparent. They should clearly justify the requested appropriations, including the 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 for the mobilisation of a special instrument with details on the corresponding estimated impact in terms of payments and commitments over the current and next programming periods and to update such information if it is modified by a corrective budgetary tool. The Council looks forward to receiving the additional information to be provided with the draft budget pursuant to Article 41 of the new Financial Regulation. In addition, the Council invites the Commission to present its long-term forecasting of future inflows and outflows covering the next five years pursuant to Article 247(1)(c) of the new Financial Regulation. In particular, the Council requests a detailed breakdown of the estimated yearly RAL per heading and programme.
19. The Council acknowledges the usefulness of the Commission's "Active Monitoring and Forecast of Budget Implementation" system, with a view to, inter alia, preventing the possible build-up of a substantial backlog towards the end of the programming period. 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 IIA.

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. The Council invites the Commission to include commitment and payment appropriations that it proposes for new legal acts or amendments to existing legal acts that are not yet adopted in a reserve.
21. The Council also invites the Commission to accompany the draft budget with a comprehensive table for the year 2020 consolidating an estimate of all types of internal assigned revenues by budget line and by headings, including an overview of the fines likely to be entered in the budget, 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.
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 invites the Commission, where possible, to present a clear overview of contingent liabilities stemming from budgetary guarantees by regular updates, including a detailed breakdown per source/instrument and related potential budgetary impact of the liability against the own resources ceiling, before the legal obligation from the new Financial Regulation applies.
25. 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. In that context, the Council welcomes the Commission's new *Programme Performance Overview* and invites the Commission to provide such an overview in time so that it can be given due consideration. That overview, as well as the 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

26. The Council encourages all institutions to collaborate efficiently and constructively, allowing for a smooth budgetary procedure and the establishment of the budget for 2020 within the deadlines set by the Treaty on the Functioning of the European Union (TFEU) and in line with the provisions of the IIA.
27. The Council calls on the Commission to ensure the timely presentation of the statement of estimates for 2020, 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.

28. 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 2020.
29. 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. The Council invites the Commission, in its role as honest broker, to facilitate a budgetary procedure constructively focused on the concrete spending priorities for 2020. To this end, the Council urges the Commission to avoid the introduction of elements in its draft budget or subsequent compromise proposals that would hamper a smooth budgetary procedure.

Administrative expenditure

30. The EU's administrative expenditure should be further rationalised. Therefore, the Council urges all institutions to reduce or freeze their administrative expenditure 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. The Council considers that the level of staff of all institutions, bodies and agencies needs to be kept under continuous monitoring. The Council takes note of the 2018 Staff Screening Report and encourages all institutions to continue, as a minimum, to apply decreases in full-time equivalents (FTEs) across all staff categories in order to offset any increases necessary in light of evolving policy priorities.

31. 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. In that context, the Council asks the Commission to examine whether a comparative overview of the posts actually filled as provided for in Article 41(3(b)(iii) of the Financial Regulation could be provided before the legal obligation from the new Financial Regulation applies. 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, specifying the amount of carry-overs and assigned revenue disbursed.
32. The Council considers that the level of staff of all institutions, bodies and agencies needs to be kept under continuous monitoring and control. It notes that by 2017 not all the Union institutions, bodies and agencies had complied with the commitment made in the IIA to reduce posts in their establishment plans by 5 % during the period 2013-2017. The Council, therefore, calls on those agencies that have not yet met the target to carry out the remaining reductions, and calls on the Commission to take this into account in its draft budget for 2020.
33. The Council reiterates its call⁶ for appropriate follow-up measures to be put forward by the Commission in order to truly stabilise the administrative costs and to keep the overall number of staff, including contract agents, under control.

⁶ Council conclusions on the budget guidelines for 2018 (doc. 6522/17) and 2019 (doc. 6315/18), and on the Eurostat study on the long-term budgetary implications of EU pension costs (doc. 14834/16).

Decentralised agencies

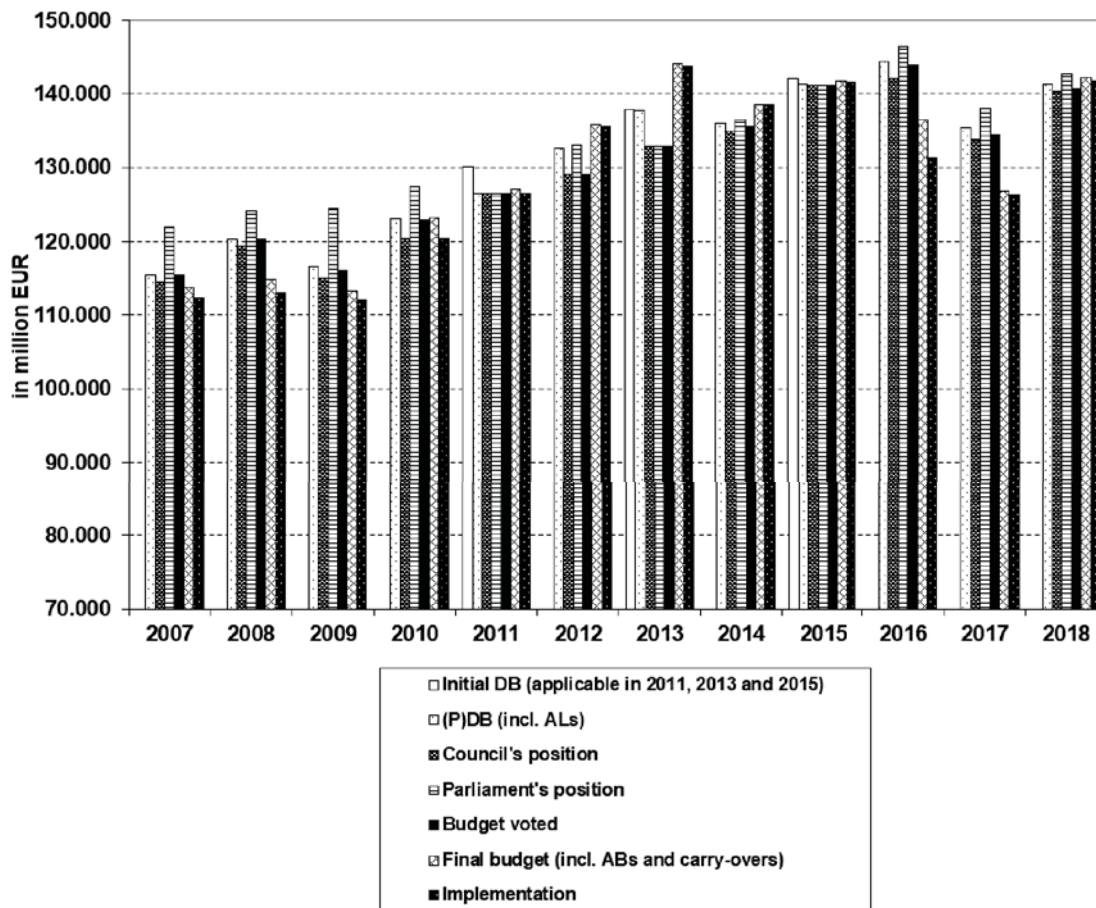
34. While recognising the multiannual character of the actions carried out by some decentralised agencies, the Council recalls that over-budgeting has led in the past to a substantial and, in some cases, unjustified level of carry-overs. It reiterates the importance of keeping the funding of these agencies under firm control and limiting it only to justified needs. The Council calls on the Commission, when establishing its draft budget for 2020, 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 number of statutory staff. The Commission is encouraged to internally offset an adequate level of FTEs and corresponding appropriations when delegating tasks to decentralised agencies or similar bodies by proposing a new or adapted mandate for them.
35. The Council calls on the Commission to concentrate all funds to be implemented by decentralised agencies in the respective agency's budget line, and to avoid financing through additional grants and contribution agreements from EU programmes.
36. The Council asks the Commission to conduct a review providing the European Parliament and the Council with a comprehensive picture concerning decentralised agencies, their present tasks and tasks envisaged with current legislative proposals, with a specific focus on EU added value and the staff development, together with the draft budget for 2020.

Conclusion

37. The Council considers that the EU budget for 2020 should fully respect the existing framework, the MTR and commitments made in the past, and calls for prudent budgeting and sufficient margins. The 2020 budget should provide sufficient resources in order to further strengthen the European economy in the areas covered by the current MFF. The Council underlines that a transparent, accurate and accountable use of Union resources is an overarching principle to bring the EU citizens closer to the European project.

38. The Council will support a realistic budget for 2020, which finds the right balance between fiscal prudence and spending on the priorities of the Union. 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 will, in particular, take into consideration that 2020 is the last year of the current MFF 2014-2020 and therefore the needs for successfully completing the current programmes have to be carefully and realistically assessed.
39. 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.
40. The Council stresses the need to respect budgetary principles, notably annuality and unity of the budget. As a general rule no recommitment or extension of decommitment periods should occur.
41. 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 2020. Furthermore, the Council invites the Commission to facilitate the negotiations during the whole budgetary procedure.
42. These guidelines will be forwarded to the European Parliament and the Commission, as well as to the other institutions.

Evolution of payment appropriations (2007 - 2018)



EVOLUTION OF PAYMENT APPROPRIATIONS (2007-2018)
(excluding assigned revenues)

(EUR million) ¹										
Budgetary procedure	(P)DB	(P)DB (incl. ALs)	Council's position	EP's position	Budget voted	Final budget (incl. ABs and carry-overs) ²	Implementation ³	Final budget - implementation (figures)	Final budget - implementation (%)	Implementation /(P)DB (incl. ALs)
	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 ⁴	126.527	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 ⁵	137.798	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 ⁶	141.337	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	126.416	461	0,36%	93,35%
2018 ⁷	141.406	141.240	140.431	142.663	140.666	142.215	141.780	436	0,31%	100,38%
Total	1.571.277	1.570.994	1.550.527	1.595.539	1.559.089	1.558.341	1.543.549	14.791	0,95%	98,25%

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 2020, adopted by the Council at its meeting on 12 February 2019.

[Complimentary close].

¹ Doc. 5823/19.