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FIN 65  
INST 48  
PE-L 8

## REPORT

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From:	Budget Committee
To:	Permanent Representatives Committee/Council
Subject:	Budget guidelines for 2018 – <i>Draft Council conclusions</i>

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1. By way of preparation of the budget guidelines for 2018 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 6 February 2017, 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 21 February 2017; 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 2018**

***Introduction***

The Council considers that the budget for 2018 should provide adequate resources to continue supporting the traditional and evolving priorities within the Union, namely the recovery of the European economy, to address humanitarian and security challenges both within and outside the EU borders and to honour commitments already made under the current and previous programming periods.

The Council recalls the principle of solidarity and underlines that a transparent and an effective use of the EU budget will contribute to the materialisation of the Union's objectives and regain the credibility of the Union with the European citizens.

The budgetary procedure for 2018 is likely to take place in a context of budget constraints in several Member States. Therefore, the Council accentuates the need to improve the predictability of Member States' contributions to the Union's budget. The Council considers that the EU budget should seek to boost growth, promote employment and create new jobs, enhance effective EU cohesion, foster competitiveness and tackle the migration and security crises, while maintaining budgetary discipline at all levels. This can be achieved 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 Council invites the Commission to present a budget in line with the aforementioned objectives, including a focus on areas that deliver EU added value.

### ***Key elements of the budget for 2018***

The Council reiterates the need for a realistic budget respecting the principles of sound financial management and annuality. 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 should be adequate and reflect the payment profiles of all programmes and with a clear focus on the expected needs for the current programming period.

The Council emphasises that the budget for 2018 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>1</sup>. Moreover, the Council reiterates the need to leave sufficient margins under the ceilings in order to be able to deal with unforeseen events.

The Council welcomes the phasing out of the backlog of unpaid bills from the previous programming period. It 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 unpaid bills.

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>2</sup>. The Council encourages the Commission to continue to rationalise the submission of draft amending budgets thereby contributing to increase the predictability within the budgetary 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> 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>2</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).

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<sup>1</sup>. Reliable and accurate forecasts on all sources of revenue and on past and expected implementation are crucial in order to avoid either under- or 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 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. The Council believes that full transparency with respect to assigned revenues is crucial for the 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 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.

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<sup>1</sup> As shown in the graph contained in the Annex, the provisional implementation of payment appropriations has considerably dropped in 2016.

The Council will continue to oversee the level of outstanding commitments (RAL)<sup>1</sup>. 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. 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.

### *Specific issues*

#### *Comprehensive budgetary documents*

The Council encourages the Commission to continuously improve the content of its budgetary documents in order to make 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 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 current and next programming periods.

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 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)<sup>2</sup>.

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<sup>1</sup> According to the Commission's implementation report of 18 January 2017, the level of Commission's outstanding commitments (RAL) amounted to EUR 237.5 billion at the end of 2016.

<sup>2</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).

The Council invites the Commission to annex to the draft budget a comprehensive list of Commission proposals not yet adopted and which have a potential impact on the budget, including the level of appropriations concerned, by budget line.

The Council also invites the Commission to accompany the draft budget with a comprehensive table for the year 2018 consolidating an estimate of all types of internal assigned revenues by budget line, as well as an overview of the fines likely to be recorded as budgetary revenue.

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.

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.

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 2018 within the deadlines set by the Treaty on the Functioning of the European Union (TFEU) and in line with the provisions of the IIA.

The Council calls on the Commission to ensure the timely presentation of the statement of estimates for 2018, 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.

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 2018.

Furthermore, 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*

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 considers that the level of staff in all institutions, bodies and agencies needs to be kept under continuous monitoring. 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 across all institutions, bodies and agencies. In this context, the Council proposes that an independent evaluation of the results is undertaken by the European Court of Auditors, covering all institutions, bodies and agencies. On the basis of the conclusions of this evaluation, the Council invites the Commission to present an appropriate follow-up proposal.

#### *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 2018, to continue taking into account unused appropriations and excessive accumulated cash-balances in order to bring down their annual surpluses. 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, as well as the compliance with the 5 % staff reduction target.

In this context, the Council takes note of the work of the interinstitutional working group aiming at closer and more permanent scrutiny on the development of decentralised agencies.

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 2018.



## ***Conclusion***

The Council considers that the EU budget should be prudent while providing sufficient resources in order to strengthen smart and inclusive growth and jobs, and to effectively respond to current and forthcoming challenges, including the measures to tackle the migration and security crises and to contribute to the political and economic stability in the EU's neighbouring countries. It 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.

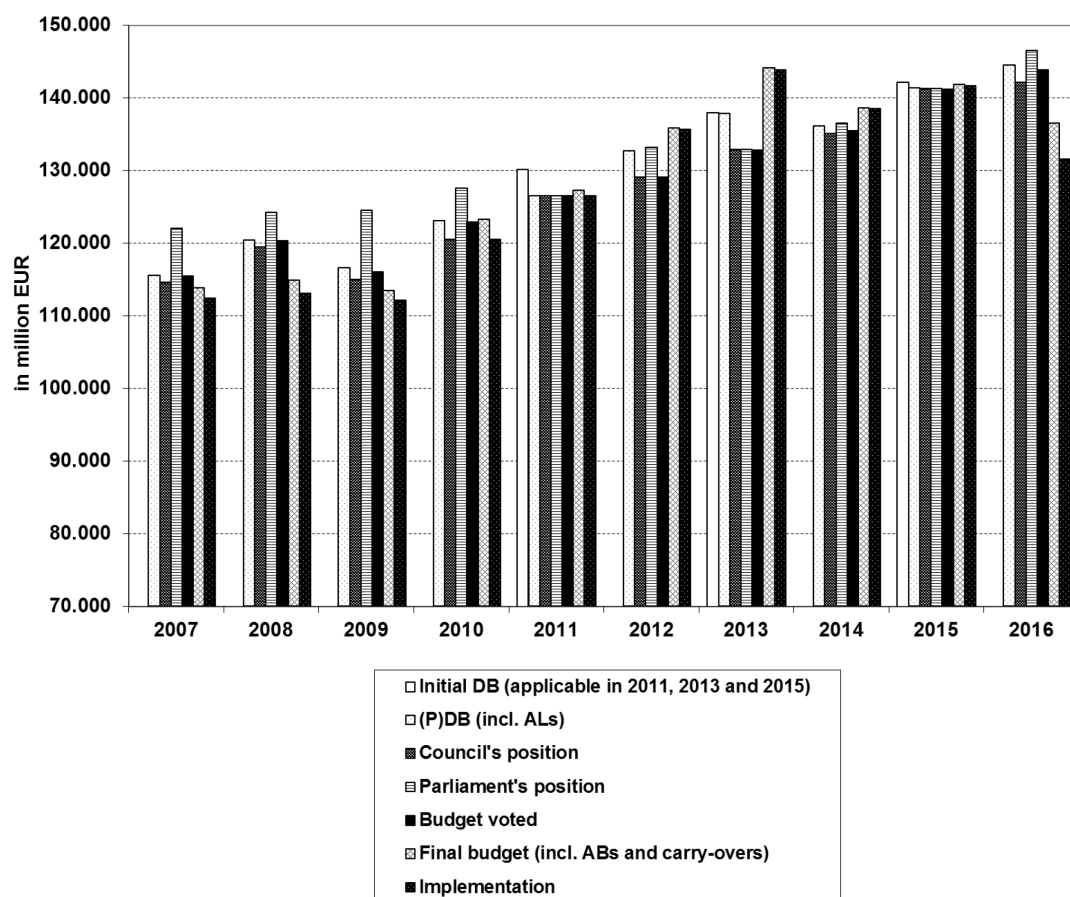
As in preceding years the Council will support a realistic budget for 2018, striking the right balance between fiscal prudence and new investments conducive to growth and jobs. It underlines that a timely, predictable, transparent and accurate assessment of needs based on comprehensive budgetary information 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 on 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.

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 2018.

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

### Evolution of payment appropriations (2007 - 2016)



**EVOLUTION OF PAYMENT APPROPRIATIONS (2007-2016)**  
**(excluding assigned revenues)**

<i>(EUR million)<sup>1</sup></i>										
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)
<b>2007</b>	116 370	115 531	114 613	122 016	115 497	113 835	112 377	1 458	1,28%	97,27%
<b>2008</b>	121 533	120 347	119 410	124 196	120 347	114 835	113 070	1 765	1,54%	93,95%
<b>2009</b>	116 744	116 546	114 972	124 488	116 096	113 395	112 107	1 288	1,14%	96,19%
<b>2010</b>	122 316	123 061	120 521	127 526	122 937	123 203	120 490	2 713	2,20%	97,91%
<b>2011</b>	126 527 <sup>4</sup>	126 527	126 527	126 527	126 527	127 219	126 497	722	0,57%	99,98%
<b>2012</b>	132 739	132 668	129 088	133 139	129 088	135 842	135 602	240	0,18%	102,21%
<b>2013</b>	137 798 <sup>5</sup>	137 798	132 837	132 837	132 837	144 057	143 785	272	0,19%	104,34%
<b>2014</b>	136 066	136 061	135 005	136 444	135 505	138 577	138 440	137	0,10%	101,75%
<b>2015</b>	141 337 <sup>6</sup>	141 337	141 214	141 214	141 214	141 769	141 586	183	0,13%	100,18%
<b>2016</b>	143 541	144 456	142 120	146 459	143 885	136 486 <sup>7</sup>	131 509 <sup>7</sup>	4 978	3,65%	91,04%
<b>Total</b>	<b>1 294 972</b>	<b>1 294 333</b>	<b>1 276 306</b>	<b>1 314 847</b>	<b>1 283 933</b>	<b>1 289 218</b>	<b>1 275 463</b>	<b>13 755</b>	<b>1,07%</b>	<b>98,54%</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 2018, adopted by the Council at its meeting on 21 February 2017.

[Complimentary close].

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<sup>1</sup> Doc. 5877/17 FIN 65 INST 48 PE-L 8.