

Interinstitutional Agreement on cooperation in budgetary matters and on sound financial management 2014-2020

2011/2152(ACI) - 20/06/2013 - Supplementary non-legislative basic document

Following an agreement in principle reached on 28 June 2013 by the Committee of Permanent Representatives, the Council proposes an amended version of the Draft Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, cooperation in budgetary matters and on sound financial management.

The main provisions which were subject to amendment compared to the previous version of the Draft IIA may be summarised as follows:

(1) Provisions related to the special instruments: all of the measures have been maintained, with the exception of provisions concerning the following:

- **crisis reserve in the agricultural sector** which have been moved;
- **contingency margin:** 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 proposal may only be made in relation to a draft amending or annual budget, the realisation of which makes such proposal necessary. The decision to mobilise the Contingency Margin shall be taken jointly by the two arms of the budgetary authority simultaneously with the approval of the amending or annual budget the adoption of which it facilitates. **The European Parliament and the Council shall act according to the voting rules foreseen in article 314 TFEU for the approval of the budget.**

(2) Interinstitutional collaboration in budgetary procedure: new provisions have been introduced as regards **budget transparency**. The Commission shall prepare an annual report to accompany the EU budget, 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 pursuant to its powers under the Treaties,
- revenue, expenditure, assets and liabilities of the EDF, EFSF, ESM, and other possible future mechanisms, including trust funds;
- expenditure incurred by Member States in the framework of enhanced cooperation, to the extent that they are not included in the annual budget.

As regards expenditure on fishery agreements: it is specified that representatives of the European Parliament may take part in bilateral and multilateral conferences negotiating international fisheries agreements, with observer status, taking account of Parliament's powers in the field of fisheries agreements. The two arms of the budgetary authority commit themselves, in the framework of budgetary cooperation, to arrive at a timely **agreement on the adequate financing of fisheries agreements**.

Crisis reserve in the agricultural sector: this reserve was initially intended to provide additional support for the sector in case of major crises effecting the agricultural production or distribution in case it cannot be financed within the limits of the ceiling available for Heading 2 (EUR 500 million).

In the amended version of the text, it is stipulated that appropriations for this reserve shall be entered directly in the general budget of the European Union. Any amount of the Reserve not made available for crisis measures shall be reimbursed to direct payments. Expenditure related to measures for crises occurring between 16 October and the end of the year may be financed from the reserve of the following financial year under the conditions described in the IIA.

Financing of the CFSP: it is stipulated that the total amount of operating CFSP 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, and a reasonable margin for unforeseen actions. No funds may be entered in a reserve.

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 49(1)(g) of the Financial Regulation,
- crisis management operations, conflict prevention, resolution and stabilisation, monitoring and implementation of peace and security processes,
- non-proliferation and disarmament,
- emergency measures,
- preparatory and follow-up measures,
- European Union Special Representatives.

Situation as regards the EU development policy and the EDF: the Commission will establish a common dialogue with the European Parliament on development policy issues regardless of their source of financing. The scrutiny of the European Parliament on the European Development Fund will be aligned on a voluntary basis to the scrutiny rights that exist under the EU general budget, specifically the Development Cooperation Instrument, pursuant to modalities to be fixed in the informal dialogue. The European Parliament and the Council note that the Commission, with a view to inter alia enhancing democratic scrutiny of development policy, intends to propose the **budgetisation of the EDF as of 2021**.

Cooperation as regards administration: each institution, body or agency is expected to present estimates of expenditure in the annual budgetary procedure consistent with the above orientations. To neutralise the additional capacity build up by the increase of **working time to 40 hours a week**, the European Parliament, the Council and the Commission agree to **progressively render 5% of the staff** as in the establishment plan on 1 January 2013. The reduction should apply to all institutions, bodies and agencies and be effected between 2013 and 2017.

(3) Provisions relating to the sound financial management of the EU Funds: the following elements have been introduced:

- **Joint management:** the Commission will ensure that the European Parliament, the Council and the Court of Auditors at their request, receive any information and documentation related to EU funds spent through international organisations, obtained under the verification agreements concluded with these organisations, which are considered necessary for the exercise of their competences under the TFEU.
- **Evaluation report:** in the evaluation report foreseen by Article 318 TFEU the Commission will distinguish the internal policies, focused on the Europe 2020 strategy, from the external ones and will use more performance information, including performance audit results, to evaluate the EU's finances based on the results achieved.
- **Agencies:** new technical provisions have been introduced to specify the adoption procedure of the new agency.

(4) Annex relating to the adoption of the budget: technical amendments have been made to the text of the Annex. The following provisions have been included:

Reste à liquider: given the need to ensure an orderly progression of the total appropriations for payments in relation to the appropriations for commitments so as to avoid any abnormal shift of RAL from one year to another, the European Parliament, the Council and the Commission agree to closely monitor the level of the RAL so as to mitigate the risk of hampering the implementation of EU programmes because of a lack of payment appropriations at the end of the financial framework.

In order to ensure a manageable level and profile for the payments in all Headings, decommitments rules shall be applied strictly in all Headings, in particular the rules for automatic de-commitments. In the course of the budgetary procedure the three institutions shall meet regularly with a view to jointly assessing the state of play and the outlook for budgetary implementation in the current and future years. In particular, in order to ensure that the Union can fulfill all its financial obligations stemming from existing and future commitments in the period 2014-2020, the two arms of the budgetary authority shall analyse and discuss the Commission's estimates as to the **required level of payment appropriations**.