

# Interinstitutional agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management

2018/2070(ACI) - 02/05/2018 - Non-legislative basic document

**PURPOSE:** Proposal for an Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

**CONTENT:** the purpose of this Agreement 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. Budgetary discipline in this Agreement covers all expenditure.

The draft agreement contains provisions relating to the following aspects:

**Multi-annual financial framework (MFF) and special instruments:** during the budgetary procedure and when adopting the budget, the institutions shall ensure that **sufficient margins are left available** under the ceilings for the different headings of the MFF. In 2024, the Commission shall update the forecasts for payment appropriations for the period after 2027.

The proposal also deals with the conditions for mobilising the Contingency Margin, the European Globalisation Adjustment Fund, the Emergency Aid Reserve and the Flexibility Instrument.

**Interinstitutional cooperation during the budgetary procedure:** in the interests of budgetary transparency, the Commission shall draw up an annual report accompanying the Union's general budget, bringing together available and non-confidential information on the Union's assets and liabilities.

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. 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.

As regards **fisheries agreements**, the Commission shall undertake to keep the European Parliament regularly informed of the preparation and progress of negotiations, including their budgetary implications. During the legislative procedure, the procedures should be completed as quickly as possible. Each quarter, the Commission would present detailed information to the European Parliament and the Council on the implementation of the fisheries agreements in force and the financial forecasts for the remainder of the year.

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. No funds may be entered in a reserve.

Each year, the High Representative shall **consult the European Parliament on a forward-looking document** setting out the main aspects and basic choices of the CFSP, including the financial implications for the general budget of the Union. 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.

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

**Sound financial management of EU funds:** 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, shall identify: (i) the legislation in force, with a distinction being drawn between multiannual programmes and annual actions; (ii) pending legislative proposals.

Before presenting a proposal for the **creation of a new agency**, the Commission shall 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 main steps in the procedure are described in the draft agreement.