OPINION

of the Committee on Budgetary Control

for the Committee on Budgets

on the draft general budget of the European Union for the financial year 2019 (2018/2046(BUD))

Rapporteur for opinion: Joachim Zeller
SUGGESTIONS

The Committee on Budgetary Control calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

A. whereas the 2019 draft Union Budget amounts at EUR166 billion in commitments, corresponding to a 3% increase over 2018, investing in a stronger and more resilient European economy and promoting solidarity and security on both sides of the Union’s borders;

B. whereas in addition to consolidating past efforts, this draft budget also includes support for new initiatives: the European Solidarity Corps, the European Labour Authority, the extension of the Structural Reform Support Programme; the set-up of the European Defence Industrial Development Programme a reserve of civil protection capabilities at the Union level and the creation of the new European Public Prosecutor's Office (EPPO);

Presentation of the Union budget

1. Notes that the budget of the Union is presented in sections corresponding to activities led by the institutions (activity-based budgeting); considers that this presentation does not ensure a clear and rapid understanding of the objectives pursued; by contrast notes that the Multiannual Financial Framework (MFF) is presented by headings corresponding to policy areas;

2. Notes that the programme statements of operational expenditure accompanying the draft budget make the link between each budget line and the political objectives pursued;

3. Asks the Commission to present the Union budget according to the political objectives of the MFF;

Programme statements of operational expenditure accompanying the budget 2019

4. Welcomes the programme statements of operational expenditures accompanying the budget 2019 that according to Article 38 of the Financial Regulation, provide information for each of the spending programmes on:

   – rationale and EU added value of each programme;

   – implementation (actual and forthcoming) overview;

   – progress on programme performance (objectives, indicators, milestones and targets) and contribution to the main policies and objectives of the Union;

5. Notes with concern that the Commission uses two sets of objectives and indicators to measure the performance of the financial management; on the one side, the EC directors generals evaluate in their annual activity reports (AAR) the achievement of the objectives defined in their management plan and, on the other side, the Commission measures the performance of spending programmes via the programme statements of operational expenditure with hardly any cross-references; this circumstance hampers comparability between different types of performance documents;
6. Points out, in particular, that in their AARs the directors general report on the achievement of general and specific objectives but do not indicate the corresponding expenditure; calls therefore on the Commission to fully implement the performance-based budgeting principle of budget planning, implementation and reporting, which will allow ex post reporting on the funds spent in pursuit of objectives;

7. Recalls that the current performance framework of the programmes reported in the programme statements includes 716 indicators of different type measuring the performance against 61 general and 228 specific objectives;

8. Welcomes the fact that, at this stage of implementation, actual achievements for almost 90% of the indicators have been already reported (or partially reported); this is a steady increase compared to the previous years (60% in Programme Statements 2017 and 80% in Programme Statements 2018); notes that the programme statements include data on actual results for 2014-2016 or 2017;

9. Asks the Commission to:

(a) streamline performance reporting by:

– further reducing the number of objectives and indicators it uses for its various performance reports and focusing on those which best measure the social, environmental and economic performance of the Union budget, while avoiding however a one size fits all approach;

– presenting financial information in a manner that makes it comparable with performance information so that the link between spending and performance is clear;

– explaining and improving the overall coherence between its two sets of objectives and indicators for programmes on the one hand and directorates general on the other;

(b) better balance performance reporting by clearly presenting information on the main challenges still to be achieved;

10. Welcomes the fact that 2019 Programme Statements refer to the achievement of cross-cutting policy objectives as the fight against climate change, biodiversity and the gender issues; appreciates that the Commission also presents the relevant spending programmes contributing to the achievement of the ten priorities of the Juncker Commission and highlights the most recent and relevant initiatives contributing to Sustainable Development Goals, although often in an indirect and not quantifiable way;

11. Calls on the Committee on Budget of the European Parliament, in coordination with the sectorial committees of this Parliaments, to promote a real culture of “result orientation” aiming at optimizing the use of funds and consider reallocating funds from programmes showing low performance;

*Europe 2020 Strategy*
12. Underlines that the Europe 2020 Strategy contains priority targets and objectives for the current programming period, therefore, the Union budget is a crucial instrument for the implementation of the Strategy’s targets and results envisaged; is concerned, however, that according to key economic and social indicators the Union has still not achieved these objectives and results, while inequalities and divergences within the Union and its Member States have persisted, thus putting at risk the European project itself;

13. Notes that, according to the Commission, the contribution of the total 2019 draft budget to the Europe 2020 Strategy is estimated to be 66.2% (EUR 106,958.3 million) thus remaining at the level of previous years; insists, in the light of resource constraints, that the Commission should make every effort for better targeting the available resources and for more efficient utilization of funds committed in order to significantly improve the implementation of the main objectives of the Europe 2020 Strategy where lack of progress is most worrying - the reduction of poverty levels and the advancement of social inclusion;

*Common Agricultural Policy (CAP)*

14. Stresses the current distribution of CAP expenditure: 44.7% of all Union farms had an annual income of less than EUR 4000, and in 2016 on average the upper 10% of the beneficiaries of CAP direct support received around 60% of the payments; notes that the distribution of direct payment largely reflects the concentration of land, 20% of farmers also owning 80% of the land, keeping in mind the differences between individual Member States;

15. Calls on the Commission to carefully analyse the causes of the overall decline in farmer income since 2013, particularly in relation to costs versus profits for the various elements right along the food-supply chain (producers, processors, transport, retailers etc - this should then reveal where most of the profit goes), and to perform a needs assessment and define a new key performance objective accompanied by outcome and impact indicators, aiming at mitigating the income inequalities between farmers;

*Speed up Cohesion Policy*

16. Is worried that more than three years after the start of the 2014-2020 period, Member States have designated only 77% of the programme authorities responsible for cohesion policy funds; as of 1 March 2017 the Commission received final accounts with expenditure covering just 0.7% of the budget allocated for the entire programming period; as of mid-2017, the delays in budget implementation were greater than they were at the same point in the 2007-2013 period; notes that consequently, the outstanding commitments at the end of the current financing period could be even higher than in the previous one;

17. Calls on the Commission to speed up the delivery of cohesion policy programmes and related payments, as well as to use resources at its disposal to assist Member States to strengthen their administrative capacity, with a view to reducing the length of the implementation time in the next Multiannual Financial Frameworks to year n+2;

*European Semester*
18. Calls on the Commission and the Member States to build stronger coordination between cohesion, economic governance and the European semester with a view to rebalancing the Semester, ensuring priority for policies promoting greater social equity and social cohesion;

Migration

19. Takes note that the Commission estimates that a total of EUR 2.3 billion will be required in 2019 under heading 3 Security and citizenship to address the challenges of migration and security but deplores the fact that the European Court of Auditors has noted in its last annual report that "the overall amount of funds mobilised for the refugee and migration crisis was not reported by the Commission and is difficult to estimate" (Court’s annual report 2016, paragraph 2.28); fears that this is still the case in the draft budget 2019, and may therefore complicate the identification of needs that might arise; welcomes the fact that the Commission is finalising a comprehensive overview of data on immigration;

20. Recalls that the Commission explained that it is “difficult if not impossible to provide an estimated cost paid for migrants/seeker country by country as the management of migratory flows comprises a wide range of activities”1;

Financial instruments and Trust funds

21. Regrets that 6.7% of total payments to the financial engineering instruments concerned (EUR 900 million) went in 2016 into management costs and fees; considers this amount to be inappropriately high; urges once again the Commission to improve transparency in the use of financial engineering instruments (FEI), to regularly report on leverage, losses and risks and to present a cost-benefit analysis of FEIs compared with more direct forms of project funding;

22. Stresses that trust funds should be established only when their use is justified and the required action is not possible through other, existing financing channels; calls furthermore on the Commission to consider putting an end to trust funds that are unable to attract a significant contribution from other donors or that do not provide an added value as compared to ‘traditional’ Union external instruments; considers unacceptable that the involvement of the EDF in trust funds further limits the possibility for the Parliament to scrutinise Union spending;

EPPO

23. Insists that the EPPO be adequately financed and staffed; notes that in the draft budget for 2019 the Union contribution amounts to a total of EUR 4 911 000; points out that this appropriation is intended to cover EPPO’s staff related expenditure, infrastructure and operating expenditure and operational expenditure to start the development of the EPPO case management system;

24. Deplores that only 35 staff posts are foreseen which implies that after deduction of the posts of 23 Deputy Prosecutors, only 12 posts are foreseen for administrative tasks;

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1 Reply to written question 23- CONT hearing of Commissioner Avramopoulos of 29 November 2016.
considers that it is not realistic.
### INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

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<th>Date adopted</th>
<th>27.9.2018</th>
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| **Result of final vote** | +: 19  
-: 1  
0: 0 |
<p>| <strong>Members present for the final vote</strong> | Inés Ayala Sender, Jonathan Bullock, Tamás Deutsch, Luke Ming Flanagan, Ingeborg Gräßle, Cătălin Sorin Ivan, Wolf Klinz, Arndt Kohn, Boguslaw Liberadzki, Monica Macovei, Gilles Pargneaux, Georgi Pirinski, José Ignacio Salafranca Sánchez-Neyra, Claudia Schmidt, Bart Staes, Indrek Tarand, Joachim Zeller, Dennis de Jong |
| <strong>Substitutes present for the final vote</strong> | Richard Ashworth, Karin Kadenbach |</p>
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Key to symbols:
+ : in favour
- : against
0 : abstention