25.3.2019

Mr Jean Arthuis
Chair of the Committee on Budgets
BRUSSELS

Subject: Contribution on behalf of the Committee on Budgetary Control as regards the recommendations for the budgetary trilogue as to the budget 2020 (2019/2010(BUD))

Dear Mr Arthuis,

The Committee on Budgetary Control calls on the Committee on Budgets, as the committee responsible, to bear in mind the following concerns in its recommendations for the budgetary trilogue

Rals

1. Our Committee is deeply concerned by the facts that

– in 2017 the combination of high commitments and low payments increased outstanding budgetary commitments to a new record of EUR 267.3 billion (2016: EUR 238.8 billion)

– the European Court of Auditors projections indicate that this amount will rise even more by the end of the current MFF, which may lead to a significantly increased risk of insufficient payment appropriations, but also to a risk of errors under the pressure for a swift absorption given a potential loss of Union funding;

2. Our Committee stresses that the EU budget is not allowed to run a deficit and that the growing payments backlog in fact represents a financial debt;

3. Our Committee is also concerned that according to the Court the issue of whether to count special instruments within the ceilings for payment appropriations has not yet been resolved; this could represent an additional risk of creating a payment backlog;

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4. Our Committee calls on the Commission to improve the accuracy of the payment forecast and to use the lessons learned from the previous programming period in order to deal with the accumulated backlog in payments and avoid its negative effect on the next MFF and to present the Action Plan on reducing the payments backlog during the 2021 - 2027 multiannual financial framework;

Timely absorption

5. Our Committee points out, in particular, that in economic; social and territorial cohesion policies, despite the significant increase in the average absorption rate in terms of payments by the Commission from 3.7% in 2016 to 16.4 % in 2017, the absorption remains even lower than in the corresponding year of the previous MFF, which was 22.1% in 2010;

6. Our Committee deplores the fact that the Commission has not yet produced a comprehensive, long-term projection to aid decision-making for the next MFF that fully complies with the Interinstitutional Agreement;

7. Our Committee notes that the slow absorption of funds remains a problem in some countries; points to the risk of accumulating a huge backlog of commitment appropriations by the end of the financial term;

Financial exposure

8. Our Committee stresses its deep concern that the overall financial exposure of the Union budget has grown, with significant long-term liabilities, guarantees and legal obligations implying that careful management needs to be applied in the future; our Committee calls, therefore, on the Commission when presenting legislative proposals that include the creation or addition of sizeable contingent liabilities to accompany them with an overview of the total value of contingent liabilities supported by the budget, as well as with an analysis of stress test scenarios and their possible impact on the budget;

Financial instruments

9. Our Committee is worried about the lack of transparency in spending for financial instruments as four times more money is available for financial instruments under the current MFF; notes that by the end of 2017, 24 Member States were making use of FIs and the total programme contributions committed to FIs were nearly EUR 18.8 billion (EUR 13.3 billion at the end of 2016), of which EUR 14.2 billion was from the ESIF; notes as well that a total of EUR 5.5 billion (around 29%) of these amounts committed had been paid to FIs (EUR 3.6 billion at the end of 2016), including EUR 4.4 billion from the ESIF; is concerned, however, that three years after the start of this MFF EUR 1.9 billion (only 10.1%) had been paid to final recipients (EUR 1.2 billion at the end of 2016), of which EUR 1.5 billion (10.5%) was from the ESIF;

EFSI

10. Our Committee points out that the budgetary authority increased the EFSI guarantee from EUR 16 billion to EUR 26 billion and the target investment volume from EUR 315 billion to 500 billion and that by the end of 2017, the EIB Group had signed EUR 36.7 billion
worth of contracts (2016: EUR 21.3 billion);

11. Our Committee notes that, according to the Court, 64% of the total value of EFSI contracts that the EIB Group had signed by the end of 2017 was concentrated in six Member States: France, Italy, Spain, Germany, UK, Poland;

12. Our Committee calls on the Commission to ensure that EFSI's management bodies take into account the need for a proper geographical balance when signing contracts and to report back to the Parliament on the progress achieved;

13. Our Committee regrets the fact that only 20% of EFSI financing has supported projects that contribute to climate change mitigation and adaptation, whereas the EIB’s standard portfolio has attained the 25% threshold; calls on the Commission to propose sustainable finance or funding options and an environment conducive to investment reflecting the Union’s commitments and general goals, with a view to fostering innovation and economic, social and territorial cohesion within the Union, as well as to reinforcing the social dimension of investment by bridging the investment gap in the social sector and with regard to infrastructure safety;

Yours sincerely,

Ingeborg Gräßle
CONT Chairman

Inés Ayala Sender
Rapporteur for the Commission discharge