

Johannes Hahn

Budget and Administration

Hearing due to be held on Thursday 3 October 2019 at 14.30 hours.

European Parliament committees responsible: Budgets (BUDG), Budgetary Control (CONT).

Johannes Hahn has considerable experience in the European Commission, first as Commissioner for regional policy in the Barroso II Commission (2010-2014). In the Juncker Commission, he is responsible for European Neighbourhood Policy and enlargement negotiations. In this role, among other tasks, he worked jointly with the EU's High Representative for Foreign Affairs and Security Policy, Federica Mogherini, on the 2015 revision of the European Neighbourhood Policy, which placed greater focus on regional stabilisation, resilience and security, and on the new enlargement strategy for the Western Balkans, adopted in 2018.



Born in 1957, Hahn has a doctorate in philosophy from the University of Vienna. Secretary General of the Austrian Managers Association (1987-1989) following his studies, he then held managerial functions in Austrian industry from 1989 to 1992. From 1992 to 1997, Hahn was Executive Director of the Austrian People's Party (ÖVP), affiliated to the European People's Party. A Member of the Vienna Regional Parliament from 1996 to 2003, he was also initially Board Member and later CEO of Novomatic AG (1997-2003). In 2003, he joined the Vienna regional government, and then became Federal Minister for Science and Research, a post he held from 2007 to 2010.

This is one of a set of Briefings designed to give Members of the European Parliament an overview of major issues of interest in the context of the hearings of the Commissioners-designate. The full set of Briefings can be found at: https://epthinktank.eu/commissioner_hearings_2019

Background

Reporting directly to the Commission President, the Commissioner for budget and administration has to ensure that the European Parliament and the Council, the two arms of the EU budgetary authority, provide the EU with the necessary financial means to carry out its various policies, and meet related objectives. This involves the smooth functioning of the [annual budgetary procedure](#), as well as the establishment of the [multiannual financial framework \(MFF\)](#) – the legally binding planning tool that sets the maximum allocation of resources ('ceiling') for each major category ('heading') of EU spending for a period of at least five years. Other tasks in the budgetary domain include: managing the rules that govern the EU budget; promoting sound financial management of EU funds; strengthening the fight against fraud affecting the budget; preparing the EU's annual accounts; reporting on budget implementation; and steering the European Commission's input into the budget discharge procedure, the annual process that ensures ex-post democratic oversight at political level as to how the EU budget has been used. In addition, the broad portfolio includes administration and involves responsibility for the personnel and infrastructure policies of the European Commission, which cover multiple aspects such as human resources strategy, gender balance, digitalisation, and protection against security threats.

Compared to national budgets, the EU's annual budget is relatively small, since it amounts to around 1 % of its Member States' gross national income (GNI), which represents some 2 % of total public spending in the EU. Nevertheless, in some countries, the EU budget may represent a significant source of resources for investment (in 2017, between 4.47 % and 11.2 % of total public spending in 13 Member States, mainly among those that joined the EU after April 2004). In addition, some features of the EU budget amplify its impact, triggering further investment from other sources. The [current MFF](#), which is worth €1 087 billion (current prices), covers the 2014-2020 period: 94 % of the MFF resources go to programmes and projects in the Member States and outside the EU, while the remaining 6 % finances the administrative expenditure of EU institutions.

Recent developments

The 2014-2020 MFF, the first with fewer resources than its predecessor, was confronted with various challenges: pressure on the 'security and citizenship' and 'global Europe' headings due to growing instability in the EU's neighbourhood and the 2015-2016 migration crisis; security threats; a prolonged and significant investment gap in the EU following the 2008 financial crisis; a high [abnormal payments backlog](#) afflicting the EU budget at the end of both 2014 and 2015; and the impact of the MFF's late adoption, which delayed the start of its implementing programmes.

In response, EU institutions and Member States created budgetary tools at least partially outside the EU budget, such as the [European Fund for Strategic Investments](#) (EFSI) and the Facility for Refugees in Turkey. Thanks to a guarantee from the EU budget, EFSI leverages significant additional investment from other public and private sources, confirming the trend of using innovative financial instruments alongside traditional grants. A significant role was also played by tools, advocated intensely by the Parliament in the MFF negotiations, to increase the ability of the EU budget to address evolving needs: wide use of the reinforced flexibility provisions of the MFF and the adoption of its [mid-term revision](#). The latter saw a package of initiatives that strengthened EU resources devoted to job creation, growth, migration and security challenges, without modifying MFF ceilings.

In 2018, the Parliament and Council reached an agreement on the [revision](#) of the EU Financial Regulation and of some sector-specific provisions. Modifications aim to simplify the rules governing the use of EU funds for beneficiaries, increase the focus on results, reinforce the measurement of performance, move towards a single rulebook, and increase transparency. Simplification can be seen as part of [wider efforts](#), strongly supported by the [European Parliament](#) and the [European Court of Auditors](#), to put performance and results at the core of the EU budget alongside compliance, including in the context of the annual discharge procedure.

In the field of personnel policy, the European Court of Auditors [says](#) that EU institutions, bodies and agencies have implemented the 5 % staff reduction [agreed](#) for 2013-2017, albeit with delays in some cases. This [involved](#) increased daily working hours, a targeted reduction of resources devoted to coordination and support activities, and reallocations of staff on the basis of priorities. The European Commission appears to be on track to deliver on its commitment to achieve a 40 % female presence in its management positions by 1 November 2019 ([39.6 %](#) on 1 January 2019).

The EU institutions have also acted to strengthen the protection of EU finances. In 2017, the Council [agreed](#) to establish the European Public Prosecutor's Office (EPPO) under enhanced cooperation following Parliament's [consent](#). Currently involving 22 Member States, EPPO will be tasked with investigating and prosecuting criminal offences against the EU's financial interests, such as fraud involving EU funds and cross-border VAT fraud cases.

Priorities and challenges

In recent years, a number of [expectations gaps](#) have emerged, suggesting that a majority of EU citizens would like the EU to be more active in a number of policy areas of concern, such as the fight against unemployment, external borders, migration, and domestic and external security. The limited resources of the EU budget as compared to national budgets and the rigidity of the MFF may represent constraints on meeting these expectations. According to a [2018 Eurobarometer](#) survey, the share of EU citizens who support increased means for the EU budget, given its current political objectives, has grown to 37 %. Data [vary](#) between EU Member States, both in terms of level of support and trend over time. Individual factors such as age group play a role, with younger EU citizens being more supportive of greater financial means for the EU than older generations.

In her [political guidelines](#), Commission President-elect Ursula von der Leyen underscored the importance of providing the EU with the resources necessary for its tasks through timely adoption of the post-2020 MFF, highlighting a number of areas that should receive additional funds as compared to the current period. She supported the proposal to make the rule of law an integral part of the MFF, and committed to reaching full gender balance at all levels of Commission management.

The Juncker Commission proposed a seven-year MFF worth €1 134.5 billion (2018 prices), which corresponds to 1.11 % of EU-27 GNI (i.e. with UK GNI subtracted). The [package of proposals](#), which aim to pursue further simplification, assign higher resources to new priorities and reduce those for agriculture and cohesion. Various challenging issues on which agreement has to be reached include: the size of the budget, mix of spending priorities, flexibility and revision provisions to address evolving needs, and conditionality linked to the rule of law. The European Council currently aims to reach an agreement before the end of 2019. The Parliament has called for early negotiations with the Council, so that its consent can be secured in good time. Delays in reaching agreement could hinder the transition to the post-2020 implementing programmes.

At present, the EU budget is mainly financed by own resources, often seen as national contributions which Member States seek to minimise. This feature tends to focus negotiations on net balances (the difference between what a Member State pays to and receives from the EU budget) and is an obstacle to budgetary reform. The MFF package includes proposals for [new own resources](#) that could reduce the share of national contributions, and contribute to greater focus on EU common goods more effectively financed and provided at EU level.

The adoption of the EU budget for 2020, the last under the current MFF, should be finalised before the end of 2019. One possible challenge is that the expected withdrawal of the United Kingdom (UK) from the EU is now set for 31 October 2019, i.e. during the conciliation period when the Parliament and the Council negotiate an agreement on the basis of their respective positions. The Commission [prepared](#) the draft 2020 EU budget on the assumption that the UK would honour its previous commitments. In the event of the UK 'crashing out' of the EU without a deal, and of the UK refusing to honour its financial commitments, the EU budget for 2020 may require adjustments, such as higher contributions from the EU-27 and cuts to certain programmes.

As for the fight against fraud affecting the EU budget, the [target](#) is now for the EPPO to be operational at the end of 2020. The Commissioner for budget and administration will have to help ensure smooth cooperation between the European Anti-Fraud Office and the new body.

European Parliament

Treaty basis and European Parliament competence

Articles 310-325 of the Treaty on the Functioning of the European Union (TFEU) detail the EU's financial set-up. Article 41 of the Treaty on European Union (TEU) deals with the financing operations under EU common foreign and security policy. Parliament's powers vary depending on the topic: Parliament is de facto on an equal footing with the Council for the annual budgetary procedure and gives or refuses its consent to the MFF, while it is only consulted on the own resources system (except on its implementing measures, to which consent applies). The Financial Regulation is adopted under the ordinary legislative procedure. Parliament decides whether to grant discharge or not, based on a non-binding Council recommendation.

The Parliament [stressed](#) that the next MFF should be underpinned by a strategic vision of EU priorities and endow the EU with sufficient resources to achieve its objectives, [estimating](#) them at 1.3 % of EU-27 GNI. Likewise, the [Committee of the Regions](#) and the [European Economic and Social Committee](#) both supported an ambitious MFF of that magnitude. In its [reaction](#) to the post-2020 proposals, Parliament called for reinforcement of such priorities as: research and innovation; Erasmus+; the fight against unemployment; transport; space; small businesses; environment; climate; neighbourhood and development; and restoration of resources for agriculture and cohesion to their 2014-2020 levels. Recalling the 5 % reduction in staff recently implemented by EU institutions and bodies, Parliament was against any further reduction that would jeopardise their capacity to deliver EU policies. The resolution welcomed proposals for increased flexibility and own resources, supporting even more ambitious reform. Highly critical of the EU's current financing system, Parliament noted that negotiations should tackle the MFF and own resources jointly, linking its consent to the former with progress on the reform of the latter.

The Parliament and Council jointly [decide](#) on the annual EU budget each year, which must comply with the MFF ceilings, based on a Commission proposal. Parliament can request the funding of new initiatives ('[pilot projects](#)' and '[preparatory actions](#)') that may lead to new EU programmes.

In the [discharge procedure](#), Parliament decides whether to grant discharge to EU institutions and bodies for their execution of the EU budget. This has proved to be a powerful tool in improving financial management. The creation of various tools at least partially outside the EU budget has raised concerns about their democratic scrutiny, which Parliament wants to see addressed.

FURTHER READING

D'Alfonso A., Delivorias A., Sapała M., Szczepański M., Zachariadis I., [Economic and Budgetary Outlook for the European Union 2019](#), EPRS, European Parliament, January 2019.

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