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Continuation of 3044th Council meeting

Economic and Financial Affairs

BUDGET and of the Conciliation Committee session

Brussels, 15 November 2010

President **Melchior WATHELET**
State Secretary for the Budget

of Belgium

P R E S S

Rue de la Loi 175 B – 1048 BRUSSELS Tel.: +32 (0)2 281 8914 / 6319 Fax: +32 (0)2 281 8026
press.office@consilium.europa.eu <http://www.consilium.europa.eu/Newsroom>

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Main results of the Council

*Despite convergence on the figures for the EU budget for 2011, the Council and the European Parliament, meeting within the Conciliation Committee, did **not reach an overall agreement** on the whole negotiation package.*

The end of the Council meeting preceding the Conciliation Committee session and the joint press conference of the Belgian State Secretary for the Budget, Melchior WATHELET, and the Commissioner in charge of Budget and Financial Programming, Janusz LEWANDOWSKI, can be followed by video streaming: <http://video.consilium.europa.eu/>

Video coverage of the event are available for download in broadcast quality (MPEG4) on <http://tvnewsroom.consilium.europa.eu>

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (<http://www.consilium.europa.eu>).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

PARTICIPANTS of the Council meeting

Belgium:

Mr Melchior WATHELET

State Secretary for the Budget

Bulgaria:

Ms Boriana PENCHEVA

Deputy Minister of Finance

Czech Republic:

Ms Milena VICENOVÁ

Permanent Representative

Denmark:

Mr Claus HJORT FREDERIKSEN

Minister for Finance

Germany:

Mr Peter TEMPEL

Permanent Representative

Estonia:

Mr Raul MÄLK

Permanent Representative

Ireland:

Mr Martin MANSERGH

Minister of State at the Department of Finance

Greece:

Mr Theodoros SOTIROPOULOS

Permanent Representative

Spain:

Mr Luis PLANAS PUCHADES

Permanent Representative

France:

Mr Philippe ETIENNE

Permanent Representative

Italy:

Mr Ferdinando NELLI FEROCI

Permanent Representative

Cyprus:

Mr Christos PATSALIDES

Permanent Secretary, Ministry of Finance

Latvia:

Mr Mārtinš BIČEVSKIS

State Secretary, Ministry of Finance

Lithuania:

Mr Raimundas KAROBLIS

Permanent Representative

Luxembourg:

Mr Christian BRAUN

Permanent Representative

Hungary:

Mr Peter GYÖRKÖS

Permanent Representative

Malta:

Mr Richard CACHIA CARUANA

Permanent Representative

Netherlands:

Mr Ben KNAPEN

Minister for European Affairs and International Cooperation

Austria:

Mr Hans-Dietmar SCHWEISGUT

Permanent Representative

Poland:

Mr Jacek DOMINIK

Deputy State Secretary, Ministry of Finance

Portugal:

Mr Manuel LOBO ANTUNES

Permanent Representative

Romania:

Mr Mihnea MOTOC

Permanent Representative

Slovenia:

Mr Rado GENORIO

Permanent Representative

Slovakia:

Mr Ivan KORČOK

Permanent Representative

Finland:

Mr Jan STORE

Permanent Representative

Sweden:

Mr Hans LINDBLAD

State Secretary to the Minister for Finance

United Kingdom:

Ms Justine GREENING

Economic Secretary to the Treasury

.....
Commission:

Mr Janusz LEWANDOWSKI

Member

ITEMS DEBATED

Results of the negotiations

Despite major efforts by the Belgian Presidency and convergence on the figures of the **EU budget for 2011** and other connected items, the Council and the European Parliament, meeting within the Conciliation Committee¹, did not reach an agreement on the overall negotiation package.

Subject to an overall agreement, the Council and the European Parliament agreed in principle to limit the **total amount of payments** for the 2011 EU budget to **EUR 126527 billion** (+ 2.91% compared to 2010), corresponding to 1.01% of the Gross National Income (GNI) of the EU. The European Parliament, however, insisted on linking the discussions on the EU 2011 budget to other issues, notably the question of the flexibility for the revision of the multiannual financial framework and the way in which the Parliament would be included in the negotiations on the next multiannual financial framework; on these issues the European Parliament considered the draft joint declaration presented by the Belgian Presidency on the multiannual financial framework and the Council's willingness to discuss the flexibility for the revision of this framework as not being sufficient.

As the 21-day conciliation period provided for by the Lisbon Treaty has now expired, the Commission has to make a new proposal, in line with Article 314 of the Treaty on the Functioning of the EU (TFEU). In the event that at the beginning of 2011 the budget is not adopted, a sum equivalent to not more than one twelfth of the budget appropriations for 2010 may be spent each month for any chapter of the budget, as long as this sum does not exceed one twelfth of the appropriations provided for in the same chapter of the draft budget proposed by the Commission (Article 315 of the Treaty on the Functioning of the EU).

The participants in the Conciliation Committee session outlined that the scenario of the so-called provisional twelfths could have some major consequences. It could inter alia affect projects such as the European External Action Service and the three new financial supervision authorities. It could also represent a set-back for the International Thermonuclear Experimental Reactor (ITER), as without an overall agreement it will not be possible to finance of EUR 940 million of the additional needs of EUR 1.4 billion through a revision of the multiannual financial framework allowing a transfer of the margin from (sub-)headings 2, 3a and 5 in 2010 to sub-heading 1a in 2012 and 2013 while keeping the overall ceiling for commitments and payments over the period 2007-2013 unchanged. The application of the provisional twelfths would also risk undermining plans for spending increases in certain areas such as cohesion policy and for priority issues such as youth, mobility and education. It also puts a question mark on the reimbursement of expenditure on part of the direct aids for farmers, and on the mobilisation of the EU solidarity fund and the European Globalisation Adjustment Fund.

¹ The Conciliation Committee is composed of the 27 members of the Council and an equal number of members of the European Parliament.

This year is the first time that the new annual budgetary procedure provided for by the Lisbon Treaty (Art. 314) has been applied. This means that Council and European Parliament now are on an equal footing for the adoption of the whole of the EU budget (*cf. flow chart on page 11*). Under the Nice Treaty, the Council had the final say on the so-called compulsory expenditure¹ which accounted for around one third of the EU budget for 2009 whereas the Parliament had the last word on the rest of the EU budget.

Apart from the EU budget for 2011, the following elements formed part of the negotiation package:

- **letters of amendments No 1 to 3 to the draft budget 2011** which aim to respond to new financial needs (namely of the **European External Action Service, Europol and the three financial supervision authorities**) and to adapt the draft budget for 2011 to a new Commission estimation of **the agricultural expenditure** for next year.
- **draft amending budget No 3 to the EU budget for 2010** on the financing of **measures to help African, Caribbean and Pacific (ACP) banana exporting countries** affected by trade liberalisation required by the World Trade Organisation (WTO);
- **draft amending budget No 10 to the EU budget for 2010** including, inter alia, a **revision of the forecasts of own resources and other revenue**;
- the financing of **additional needs** of the International Thermonuclear Experimental Reactor (**ITER**) project in 2012 and 2013 through a revision of the multiannual financial framework;
- the so-called **Lisbon package** which aims at adapting the current EU financial rules to the new provisions of the Lisbon Treaty; it includes a **draft regulation laying down the multiannual financial framework for 2007-2013**, a new **draft interinstitutional agreement** between the European Parliament, the Council and the Commission on cooperation in budgetary matters, and a proposal for a **new financial regulation**.
- some longer-term items which the European Parliament raised although they do not relate to the 2011 budget; these include in particular the question of **own resources** and the European Parliament's implication in the procedure to establish the **next multiannual financial framework**.

¹ Compulsory expenditure covered essentially agricultural expenditure as far as it concerns the first pillar of the Common Agricultural Policy (i.e. market support and direct payments).

More details on the various elements of the negotiation package

Draft EU budget for 2011

The Conciliation Committee reached convergence on the draft EU budget for 2011 as amended by the letters of amendment 1 to 3 (see below). The discussions were framed by the Council's and the European Parliament's position voted on 12 August and 20 October.

The Council wished to limit the EU budget for the next year to EUR 141.777 billion in commitments (+ 0.2% compared to 2010) and EUR 126.527 billion in payments (+2.9%) ([12464/10](#)), whereas the European Parliament asked for an amount of EUR 143.070 billion in commitments (+1.1%) and EUR 130.559 billion in payments (+6.2%) (<http://www.europarl.europa.eu/en/pressroom/content/20101020IPR88368>).

Letters of amendment to the draft budget for 2011

Letter of amendment No 1 aims to create a new section X in the 2011 budget for the **European External Action Service** (EEAS) and to ensure its necessary financial (EUR 475.8 million) and human resources (1643 posts, of which 411 would be transferred from the European Council and the Council and 1114 from the Commission, whereas 118 new posts would be created).

Letter of amendment No 2 to the draft EU budget for 2011 aims to reinforce the EU contribution to **Europol** by EUR 552 000 and to the three **Financial Supervision Authorities**, i.e. the European Insurance and Occupational Pensions Authority (EIOPA), the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), by EUR 1.22 million. The net financial impact of this amending letter amounts to EUR 1.78 million.

Letter of amendment No 3 for 2011, the "**agricultural amending letter**", seeks to update the estimated needs for agricultural expenditure. In addition to changing market factors, it also incorporates legislative decisions adopted in the agricultural sector since the draft budget 2011 was drawn up, revised estimates of needs for some direct payments, as well as all proposals which are expected to take effect during the coming budget year. This letter of amendment also includes an update of the situation regarding the International Fisheries Agreement. It reduces the commitments and payments for agricultural expenditure by EUR 346 million and the commitments for the International Fisheries Agreement by EUR 1 million.

Draft amending budgets to the EU budget for 2010

The Conciliation Committee also reached convergence on two draft amending budgets for 2010.

Draft amending budget No 3 to the EU budget for 2010 seeks to ensure the financing of EUR 75 million for measures to help African, Caribbean and Pacific (ACP) **banana exporting countries affected by trade liberalisation** required by the World Trade Organisation (WTO).

Draft amending budget No 10 for the year 2010 aims to reduce the expenditure by EUR 373 million in commitments and EUR 1.09 billion in payments following the **revision of the forecasts of own resources and other revenue**.

Financing of additional needs of ITER

The Conciliation Committee did not reach agreement on a Commission proposal for securing the financing of additional needs of the ITER project amounting to EUR 1.4 billion in 2012 and 2013. An amount of EUR 460 million should be covered through redeployment from the Seventh Research Framework Programme within sub-heading 1a and an amount of EUR 940 million secured through a revision of the multiannual financial framework allowing a transfer of the margin from (sub-)headings 2, 3a and 5 in 2010 to sub-heading 1a in 2012 and 2013, while keeping the overall ceiling for commitments and payments over the period 2007-2013 unchanged.

Adapting the EU financial rules to the Lisbon Treaty

The Conciliation Committee was also not able to agree on the "Lisbon package" which aims to implement the budgetary and financial consequences of the new Treaty and consists of the following three pieces of texts:

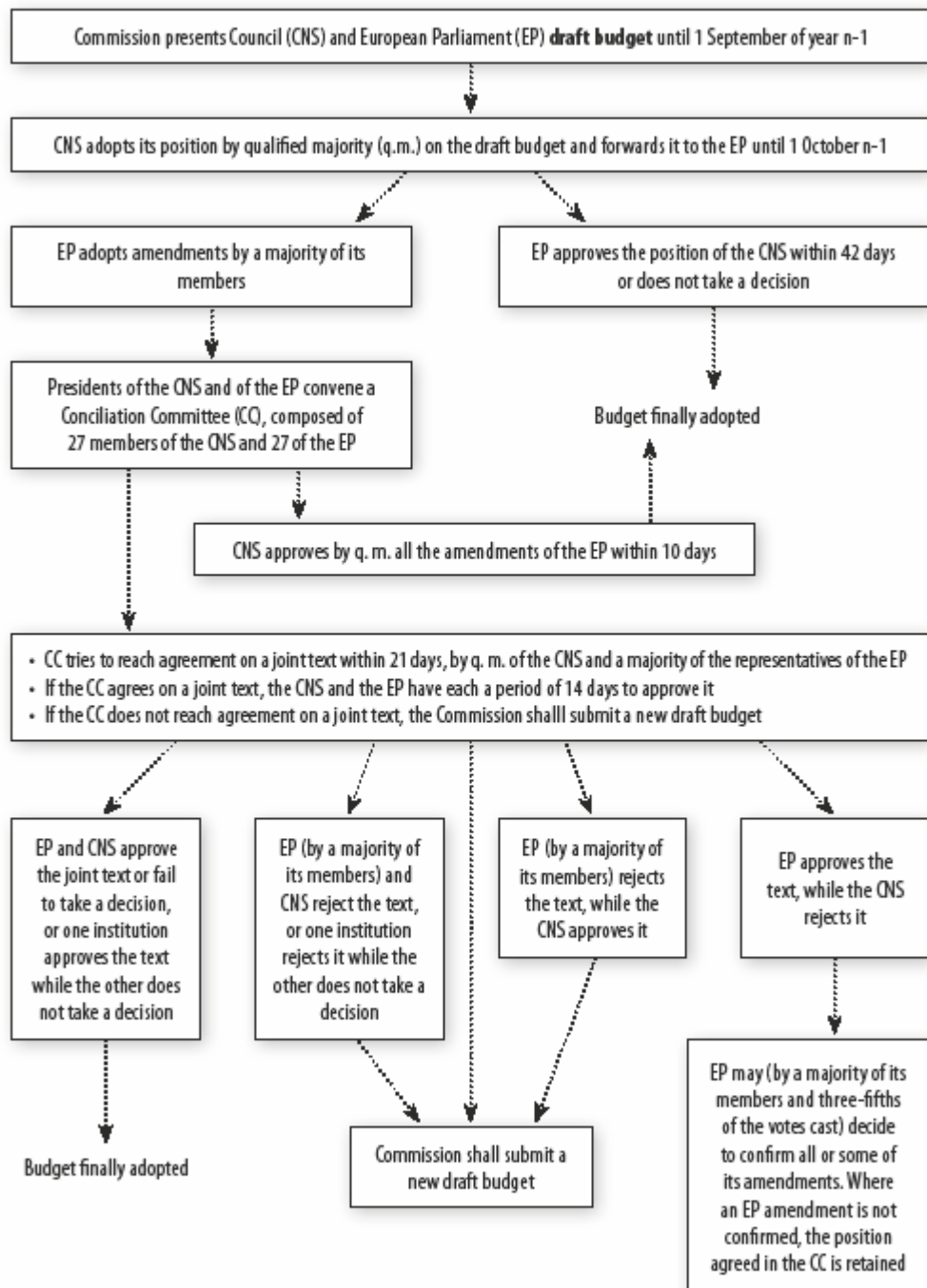
- a draft regulation laying down the multiannual financial framework for the years 2007-2013;
- a new draft interinstitutional agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters;
- a draft regulation amending the financial regulation.

Despite the Council's willingness to discuss the question if and under which conditions the current possibility for the Council to adapt the multiannual financial framework within a margin for unforeseen expenditure by up to 0.03% of the Gross National Income (GNI) of the EU should be maintained, the Conciliation Committee did not reach agreement.

Long-term issues raised by the European Parliament

The European Parliament raised some longer-term issues relating in particular to the question of **own resources** and the European Parliament's implication in the procedure to establish the **next multiannual financial framework**. In spite of a draft joint declaration on the cooperation for the decision on the next multiannual financial framework tabled by the Belgian Presidency and Commission's declarations on own resources, the "Lisbonisation" of the budget and the European added value, the Conciliation Committee was not able to reach agreement on these issues.

Budget procedure Lisbon Treaty (Art. 314)



CC = Conciliation Committee

CNS = Council

EP = European Parliament

q.m. = qualified majority

OTHER ITEMS APPROVED**WRITTEN PROCEDURE****Restrictive measures against Côte d'Ivoire**

The Council adopted on 29 October 2010 a regulation implementing the exemption to the EU arms embargo on Côte d'Ivoire (15254/10).

The sole purpose of this exemption is to allow the sale and export of non-lethal military equipment needed for crowd control operations during the presidential election on 31 October and 28 November 2010 (in accordance with UN Security Council Resolution 1946 adopted on 15 October 2010). All the other EU restrictive measures remain in place, with no expiry date.
