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NOTE

From: Presidency
To: Permanent Representatives Committee
Subject: Updated mandate for the negotiations on the budget 2021

I. INTRODUCTION

1. The Commission presented its draft estimates for the budget 2021 on 24 June 2020. These draft estimates were based on the Commission's proposal for the future multiannual financial framework (MFF), last updated on 27 May 2020.
2. Following the conclusions of the European Council of 17-21 July 2020 on the MFF 2021-2027, the Council established its position on the draft budget (DB) 2021 on 29 September 2020¹. This position was based on a proportional allocation of the results of the European Council to the annual budget 2021.

With its position, the Council adopted a statement, in which it noted it will re-evaluate its position in the light of the final text of the MFF 2021-2027 and of the letter of amendment to be presented by the Commission.

3. On 10 November 2020, negotiators of the European Parliament and the Council provisionally agreed on a political package for the future MFF and Recovery package.

¹ Doc. 11072/20 REV 1 + 11072/20 ADD 1 to ADD 5.

4. On 13 November 2020, the Commission presented a letter of amendment No 1 to the DB 2021².
5. The conciliation period for the negotiations on the budget 2021 runs from 17 November to 7 December 2020. The final Conciliation meeting is foreseen to take place on 4 December.

II. UPDATED MANDATE

6. Given the above and in the understanding that both the European Parliament and the Council mutually respect the political agreement reached on the MFF on 10 November in their respective negotiation mandates, it is proposed to establish the following mandate for the Presidency in view of the up-coming negotiations with the European Parliament:

6.1. The basis for the negotiations will be the Council position as adopted on 29 September 2020.

6.2. The letter of amendment from the Commission concurs to a large extent with the approach used by the Council to establish its position in September.

However, the approach used to establish the Council position on the annual budget 2021 in September (one seventh of the total programme for 2021) did not take into account the descending profile for commitment appropriations (c/a) established by the European Council. In order to reflect the conclusions of the European Council, the frontloading proposed by the Commission for the Neighbourhood, Development and International Cooperation Instrument (NDICI) is accepted.

² Letter of amendment No 1 to the draft general budget for 2021: Adjustments resulting from the recent political agreement between the European Parliament and the Council on the Multiannual Financial Framework 2021-2027 - Updated estimated needs for agricultural expenditure - Other adjustments and technical updates (Doc. 12894/20 (COM(2020) 748 final)).

Furthermore, the European Council foresaw allocating an amount of EUR 1.670 million (2018 prices) for EU4Health. In its position on the budget 2021, the Council did not modify the amount of EUR 21 million proposed by the Commission in its estimates for the budget 2021. In order to bring the provision for EU4Health in line with the conclusions of the European Council and the specific programming profile, the amount for 2021 is increased by EUR 232 million.

Finally, in light of the European Council conclusions, the payment appropriations (p/a) for the Solidarity and Emergency Aid Reserve (SEAR) are adjusted according to the letter of amendment.

- 6.3. In order to respect the political agreement reached on the MFF on 10 November 2020, it is proposed to refine the mandate in the following way:
- (a) accept the increase to Erasmus+ of EUR 175.1 million in c/a and corresponding amounts for p/a;
 - (b) accept the increase to EU4Health of EUR 74.3 million in c/a and corresponding amounts for p/a;
 - (c) accept the proposal to modify the budget structure and budget remarks for budget lines that will be used for the implementation of the "Next Generation EU" (NGEU)³;
 - (d) as to the use of Article 15(3) of the Financial Regulation for Horizon Europe: to make use of funds stemming from the application of this provision at a later stage of the MFF when they are most needed as additional resources from NGEU will no longer be available.

³ Point 2.5 of the letter of amendment.

6.4. Fourthly, the Commission proposed in its letter of amendment several changes to various headings. The Council can accept the levels proposed by the Commission for:

- (a) heading 1 (*Single Market, Innovation and Digital*) with regard to InvestEU, CEF - Transport⁴, the Digital Europe Programme and the European Space Programme.
- (b) (sub-)headings 2a (*Economic, Social and Territorial Cohesion*), 2b (*Resilience and Values*)⁵, 3 (*Natural Resources and Environment*), 4 (*Migration and Border Management*), 5 (*Security and Defence*) and 6 (*Neighbourhood and the World*)⁶ without prejudice to point 6.5. While respecting the political agreement reached on the MFF on 10 November 2020, the Commission is asked to assess how the use of the Flexibility Instrument could be avoided through technical adjustments in sub-heading 2b.

6.5. On administrative expenditure for the institutions, agencies and other bodies, the Council can accept the reduction of heading 7 (*European Public Administration*) for the revision of the salary update rate from 0.9 % to 0.7 % (reduction of EUR 22 million). Taking this point into account, the Council upholds its position in all its other aspects⁷, with a view to reaching a common understanding on establishing a comprehensive action plan that includes performance indicators, milestones and deliverables applying to all under the auspices of the Commission to respect point 130 of the European Council conclusions in all areas of administrative spending in recognition of the new ways of working.

⁴ On heading 1, the mandate concerning CEF - Transport is dependent on the Commission's reply.

⁵ Pending a Commission reply on the actual needs for financing the European Union Recovery Instrument (EURI), as well as the funding levels of the European Recovery and Resilience Facility (RRF).

⁶ In line with the frontloading in transfers of appropriations Nos DEC 20/2020 and DEC 23/2020.

⁷ The reductions on the budget lines for events will be increased from 10 to 20 %.

6.6. Finally, the Council can in general accept the adaptation of the nomenclature as proposed by the Commission in the letter of amendment. The Council will further reflect on the nomenclature of the Instrument for Pre-Accession Assistance (IPA III).

7. In this context, it is also noted that draft amending budget (DAB) No 10/2020 will be adopted as proposed by the Commission⁸ as part of the final conciliation package.

III. CONCLUSION

8. In view of the above, the Permanent Representatives Committee is invited to confirm its agreement on the updated mandate for the negotiations with the European Parliament as set out in point II above.

⁸ Doc. 11673/20 + REV 1 (en) (COM(2020) 962 final + final/2).