INTERINSTITUTIONAL AGREEMENTS

INTERINSTITUTIONAL AGREEMENT BETWEEN THE EUROPEAN PARLIAMENT, THE COUNCIL OF THE EUROPEAN UNION AND THE EUROPEAN COMMISSION ON BUDGETARY DISCIPLINE, ON COOPERATION IN BUDGETARY MATTERS AND ON SOUND FINANCIAL MANAGEMENT, AS WELL AS ON NEW OWN RESOURCES, INCLUDING A ROADMAP TOWARDS THE INTRODUCTION OF NEW OWN RESOURCES

INTERINSTITUTIONAL AGREEMENT

of 16 December 2020

between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources

THE EUROPEAN PARLIAMENT, THE COUNCIL OF THE EUROPEAN UNION AND THE EUROPEAN COMMISSION,

hereinafter referred to as the "Institutions",

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 295 thereof,

HAVE AGREED AS FOLLOWS:

1. The purpose of this Agreement is to implement budgetary discipline, to improve the functioning of the annual budgetary procedure and cooperation between the Institutions on budgetary matters as well as to ensure sound financial management, and to implement a cooperation and establish a roadmap towards the introduction, over the period of the multiannual financial framework 2021-2027 ("MFF 2021-2027"), of new own resources that are sufficient to cover the repayment of the European Union Recovery Instrument established under Council Regulation (EU) 2020/2094 (\(^1\)) (the "EURI Regulation").

2. Budgetary discipline as referred to in this Agreement covers all expenditure. This Agreement is binding on the Institutions for as long as it is in force. The Annexes to this Agreement form an integral part thereof.

3. This Agreement does not alter the respective budgetary and legislative powers of the Institutions as laid down in the Treaties, in Council Regulation (EU, Euratom) 2020/2093 (\(^2\)) (the "MFF Regulation"), in Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council (\(^3\)) (the "Financial Regulation") and in Council Decision (EU, Euratom) 2020/2053 (\(^4\)) (the "Own Resources Decision"), and is without prejudice to the powers of national parliaments in respect of own resources.

\(^1\) Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (see page 23 of this Official Journal).

\(^2\) Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027 (see page 11 of this Official Journal).


4. Any amendment of this Agreement requires the common agreement of the Institutions.

5. This Agreement is in four parts:
   — Part I contains provisions related to the multiannual financial framework (MFF) and to the thematic and non-thematic special instruments;
   — Part II relates to interinstitutional cooperation in budgetary matters;
   — Part III contains provisions related to the sound financial management of Union funds;
   — Part IV contains provisions related to the quality and comparability of data on beneficiaries in the context of the protection of the Union budget.

6. This Agreement enters into force on 16 December 2020 and replaces the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (1).

PART I

MFF AND SPECIAL INSTRUMENTS

A. PROVISIONS RELATED TO THE MFF

7. The Institutions shall, for the purposes of sound financial management, ensure as far as possible during the budgetary procedure and at the time the general budget of the Union is adopted that sufficient margins are left available beneath the ceilings for the various headings of the MFF, except for the sub-heading "Economic, social and territorial cohesion".

Updating of forecasts for payment appropriations

8. Every year, the Commission shall update the forecasts for payment appropriations for the period at least until 2027. That update shall take into account all relevant information, including the real implementation of budget appropriations for commitments and budget appropriations for payments, as well as the implementation forecasts. It shall also consider the rules designed to ensure that payment appropriations develop in an orderly manner compared to commitment appropriations and to the growth forecasts of the Union’s gross national income (GNI).

B. PROVISIONS RELATED TO THE THEMATIC AND NON-THEMATIC SPECIAL INSTRUMENTS

European Globalisation Adjustment Fund

9. Where the conditions for mobilising the European Globalisation Adjustment Fund set out in the relevant basic act are met, the Commission shall submit a proposal to mobilise it, and the decision to mobilise the European Globalisation Adjustment Fund shall be taken jointly by the European Parliament and by the Council.

At the same time as it presents its proposal for a decision to mobilise the European Globalisation Adjustment Fund, the Commission shall present a proposal to the European Parliament and to the Council for a transfer to the relevant budget lines.

Transfers related to the European Globalisation Adjustment Fund shall be made in accordance with the Financial Regulation.

Solidarity and Emergency Aid Reserve

10. Where the Commission considers that the conditions for mobilising the Solidarity and Emergency Aid Reserve are met, it shall submit a proposal to the European Parliament and to the Council for a transfer from that Reserve to the corresponding budget lines in accordance with the Financial Regulation.

The decision to mobilise amounts under point (a) of Article 9(1) of the MFF Regulation shall be taken jointly by the European Parliament and by the Council on a proposal from the Commission in accordance with the relevant basic act.

Before making any proposal for a transfer from the Solidarity and Emergency Aid Reserve for assistance under point (b) of Article 9(1) of the MFF Regulation, the Commission shall examine the scope for reallocating appropriations.

**Brexit Adjustment Reserve**

11. Where the conditions for mobilising the Brexit Adjustment Reserve set out in the relevant instrument are met, the Commission shall submit a proposal to the European Parliament and to the Council for a transfer to the relevant budget lines. Transfers related to the Brexit Adjustment Reserve shall be made in accordance with the Financial Regulation.

**Single Margin Instrument**

12. The Commission may propose to mobilise the amounts corresponding to all or a part of the margins referred to in points (a) and (c) of the first subparagraph of Article 11(1) of the MFF Regulation, in relation to a draft budget or a draft amending budget. The mobilisation of any amounts referred to in point (c) of the first subparagraph of Article 11(1) of that Regulation shall be proposed by the Commission after a thorough analysis of all other financial possibilities. Those amounts may be mobilised by the European Parliament and by the Council in the framework of the budgetary procedure set out in Article 314 of the Treaty on the Functioning of the European Union (TFEU).

**Flexibility Instrument**

13. The Commission shall submit a proposal for the mobilisation of the Flexibility Instrument after it has examined all possibilities for reallocating appropriations under the heading requiring additional expenditure. That proposal shall identify the needs to be covered and the amount. Such a proposal may be made in relation to a draft budget or a draft amending budget. The Flexibility Instrument may be mobilised by the European Parliament and by the Council in the framework of the budgetary procedure set out in Article 314 TFEU.

### PART II

**IMPROVEMENT OF INTERINSTITUTIONAL COOPERATION IN BUDGETARY MATTERS**

#### A. INTERINSTITUTIONAL COOPERATION PROCEDURE

14. The details of interinstitutional cooperation during the budgetary procedure are set out in Annex I.

15. In line with Article 312(5) TFEU, the Institutions shall take any measure necessary to facilitate the adoption of a new MFF or a revision thereof, in accordance with the special legislative procedure referred to in Article 312(2) of the TFEU. Such measures will include regular meetings and exchange of information between the European Parliament and the Council and, on the initiative of the Commission, meetings of the Presidents of the Institutions as set out in Article 324 TFEU in order to promote consultation and the reconciliation of the positions of the Institutions. Where a proposal for a new MFF or for a substantial revision has been presented, the Institutions will seek to determine specific arrangements for cooperation and dialogue between them throughout the procedure leading to its adoption.

**Budgetary transparency**

16. The Commission shall prepare an annual report to accompany the general budget of the Union, bringing together available non-confidential information relating to:

(a) the assets and liabilities of the Union, including those arising from borrowing and lending operations carried out by the Union in accordance with its powers under the Treaties;
(b) the revenue, expenditure, assets and liabilities of the European Development Fund (6), the European Financial Stability Facility, the European Stability Mechanism, and other possible future mechanisms;

(c) the expenditure incurred by Member States in the framework of enhanced cooperation, to the extent that it is not included in the general budget of the Union;

(d) climate expenditure, on the basis of an effective methodology set out by the Commission and, where relevant, in accordance with sectoral legislation, for monitoring climate spending and its performance with a view to achieving an overall target of at least 30 % of the total amount of the Union budget and the European Union Recovery Instrument expenditures supporting climate objectives, taking into consideration the effects of the phasing out of the funding under the European Union Recovery Instrument and differentiating between climate change mitigation and adaptation, where feasible.

Where there is insufficient progress towards the climate spending target in one or more of the relevant programmes, the Institutions, in accordance with their responsibilities and the relevant legislation, will consult each other on appropriate measures to be taken to ensure that Union spending on climate objectives over the entire MFF 2021-2027 corresponds to at least 30 % of the total amount of the Union budget and the European Union Recovery Instrument expenditures;

(e) expenditure contributing to halting and reversing the decline of biodiversity, on the basis of an effective, transparent and comprehensive methodology set out by the Commission, in cooperation with the European Parliament and with the Council, and, where relevant, in accordance with sectoral legislation, with a view to working towards the ambition of providing 7,5 % in 2024 and 10 % in 2026 and in 2027 of annual spending under the MFF to biodiversity objectives, while considering the existing overlaps between climate and biodiversity goals;

(f) the promotion of equality between women and men as well as rights and equal opportunities for all throughout the implementation and monitoring of the relevant programmes, and the mainstreaming of those objectives as well as gender mainstreaming, including by strengthening the assessment of gender impact in impact assessments and evaluations under the Better Law-Making framework. The Commission will examine how to develop a methodology to measure the relevant expenditure at programme level in the MFF 2021-2027. The Commission will use that methodology as soon as it is available. No later than 1 January 2023, the Commission will implement that methodology for certain centrally managed programmes to test its feasibility. At mid-term, it will be explored whether the methodology can be extended to other programmes for the remainder of the MFF 2021-2027;

(g) the implementation of the United Nations Sustainable Development Goals in all relevant Union programmes of the MFF 2021-2027.

The effective methodologies referred to in points (d) and (e) of the first paragraph will, as far as possible include a reference to the contribution of the Union budget to the European Green Deal, which includes the “do no harm” principle.

The effective methodology referred to in point (d) of the first paragraph will be transparent, comprehensive, result-oriented and performance-based, will include annual consultation by the Commission of the European Parliament and of the Council, and will identify relevant measures to be taken in case of insufficient progress towards achieving applicable targets.

None of the methodologies referred to in this point should lead to an excessive administrative burden on project holders or on beneficiaries.

17. The Commission shall prepare an annual report on the implementation of the European Union Recovery Instrument. That annual report shall bring together available non-confidential information relating to:

— assets and liabilities arising from borrowing and lending operations carried out under Article 5 of the Own Resources Decision;

(6) As set out in the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies (OJ L 210, 6.8.2013, p. 1) and the preceding Internal Agreements.
— the aggregate amount of proceeds assigned to Union programmes in implementation of the European Union Recovery Instrument in the previous year, broken down by programme and budget line;

— the contribution of the borrowed funds to the achievements of the objectives of the European Union Recovery Instrument and the specific Union programmes.

**B. INCORPORATION OF FINANCIAL PROVISIONS IN LEGISLATIVE ACTS**

18. Each legislative act, concerning a multiannual programme, adopted in accordance with the ordinary legislative procedure shall contain a provision in which the legislator lays down the financial envelope for the programme.

That amount shall constitute the prime reference amount for the European Parliament and for the Council during the annual budgetary procedure.

For programmes referred to in Annex II to the MFF Regulation, the prime reference amount is automatically increased by the additional allocations referred to in Article 5(1) of the MFF Regulation.

The European Parliament and the Council, and the Commission when it draws up the draft budget, undertake not to depart by more than 15% from that amount for the entire duration of the programme concerned, unless new, objective, long-term circumstances arise for which explicit and precise reasons are given, with account being taken of the results obtained from implementing the programme, in particular on the basis of assessments. Any increase resulting from such variation shall remain beneath the existing ceiling for the heading concerned, without prejudice to the use of instruments referred to in the MFF Regulation and in this Agreement.

The fourth paragraph does not apply to the additional allocations referred to in the third paragraph.

This point does not apply to appropriations for cohesion adopted in accordance with the ordinary legislative procedure and pre-allocated per Member State which contain a financial envelope for the entire duration of the programme or to the large-scale projects referred to in Article 18 of the MFF Regulation.

19. Legally binding Union acts concerning multiannual programmes that are not adopted in accordance with the ordinary legislative procedure shall not contain an "amount deemed necessary".

Should the Council wish to include a financial reference amount, that amount shall be taken as illustrating the will of the legislator and shall not affect the budgetary powers of the European Parliament and of the Council as set out in the TFEU. A provision to that effect shall be included in all legally binding Union acts which contain such a financial reference amount.

**C. EXPENDITURE RELATING TO FISHERIES AGREEMENTS**

20. Expenditure on fisheries agreements shall be subject to the following specific rules.

The Commission undertakes to keep the European Parliament regularly informed about the preparation and conduct of the negotiations on fisheries agreements, including the budgetary implications of those agreements.

In the course of the legislative procedure relating to fisheries agreements, the Institutions undertake to make every effort to ensure that all procedures are carried out as quickly as possible.

Amounts provided for in the budget for new fisheries agreements or for the renewal of fisheries agreements which enter into force after 1 January of the financial year concerned shall be put in reserve.

If appropriations relating to fisheries agreements, including the reserve, prove insufficient, the Commission shall provide the European Parliament and the Council with the necessary information on the causes of the situation and on measures which might be adopted under established procedures. Where necessary, the Commission shall propose appropriate measures.
Each quarter, the Commission shall present to the European Parliament and to the Council detailed information about the implementation of fisheries agreements in force and a financial forecast for the remainder of the year.

21. Without prejudice to the relevant procedure governing the negotiation of fisheries agreements, the European Parliament and the Council commit themselves, in the framework of budgetary cooperation, to arrive at a timely agreement on the adequate financing of fisheries agreements.

D. FINANCING OF THE COMMON FOREIGN AND SECURITY POLICY (CFSP)

22. The total amount of CFSP operating expenditure shall be entered entirely in one budget chapter, entitled CFSP. That amount shall cover the real predictable needs, assessed in the framework of the establishment of the draft budget, on the basis of forecasts drawn up annually by the High Representative of the Union for Foreign Affairs and Security Policy (the "High Representative"). A reasonable margin shall be allowed to cover unforeseen actions. No funds may be entered in a reserve.

23. As regards CFSP expenditure which is charged to the Union budget in accordance with Article 41 of the Treaty on European Union, the Institutions shall endeavour, in the Conciliation Committee as referred to in Article 314(5) TFEU, and on the basis of the draft budget established by the Commission, to secure agreement each year on the amount of the operating expenditure, and on the distribution of that amount between the articles of the CFSP budget chapter. In the absence of agreement, it is understood that the European Parliament and the Council shall enter in the budget the amount contained in the previous budget or the amount proposed in the draft budget, whichever is the lower.

The total amount of CFSP operating expenditure shall be distributed between the articles of the CFSP budget chapter as suggested in the third paragraph. Each article shall cover actions already adopted, actions which are foreseen but not yet adopted and amounts for future – that is unforeseen – actions to be adopted by the Council during the financial year concerned.

Within the CFSP budget chapter, the articles into which the CFSP actions are to be entered could read along the following lines:

— single major missions as referred to in point (g) of Article 52(1) of the Financial Regulation;
— other missions (for crisis management operations, conflict prevention, resolution and stabilisation, and monitoring and implementation of peace and security processes);
— non-proliferation and disarmament;
— emergency measures;
— preparatory and follow-up measures;
— European Union Special Representatives.

Since, under the Financial Regulation, the Commission has the authority to transfer appropriations autonomously between articles within the CFSP budget chapter, the flexibility deemed necessary for speedy implementation of CFSP actions shall accordingly be assured. In the event of the amount of the CFSP budget chapter during the financial year being insufficient to cover the necessary expenses, the European Parliament and the Council shall seek a solution as a matter of urgency, on a proposal from the Commission.

24. Each year, the High Representative shall consult the European Parliament on a forward-looking document, which shall be transmitted by 15 June of the year in question, setting out the main aspects and basic choices of the CFSP, including the financial implications for the Union budget, an evaluation of the measures launched in year n-1 and an assessment of the coordination and complementarity of CFSP with the Union’s other external financial instruments. Furthermore, the High Representative shall keep the European Parliament regularly informed by holding joint consultation meetings at least five times a year, in the framework of the regular political dialogue on the CFSP, to be agreed at the latest on 30 November each year. Participation in those meetings shall be determined by the European Parliament and by the Council respectively, bearing in mind the objective, and the nature of the information exchanged in those meetings.
The Commission shall be invited to participate in those meetings.

If the Council adopts a decision in the field of the CFSP entailing expenditure, the High Representative shall immediately, and in any event no later than five working days thereafter, send the European Parliament an estimate of the costs envisaged (a “financial statement”), in particular those costs regarding time-frame, staff employed, use of premises and other infrastructure, transport facilities, training requirements and security arrangements.

Once a quarter, the Commission shall inform the European Parliament and the Council about the implementation of CFSP actions and the financial forecasts for the remainder of the financial year.

E. INVOLVEMENT OF THE INSTITUTIONS AS REGARDS DEVELOPMENT POLICY ISSUES


PART III

SOUND FINANCIAL MANAGEMENT OF UNION FUNDS

A. FINANCIAL PROGRAMMING

26. The Commission shall submit twice a year, the first time together with the documents accompanying the draft budget and the second time after the adoption of the general budget of the Union, a complete financial programming for headings 1, 2 (except for the sub-heading “Economic, social and territorial cohesion”), 3 (for “Environment and climate action” and “Maritime policy and fisheries”), 4, 5 and 6 of the MFF. That programming, structured by heading, policy area and budget line, should identify:

(a) the legislation in force, with a distinction being drawn between multiannual programmes and annual actions:

(i) for multiannual programmes, the Commission should indicate the procedure under which they were adopted (ordinary or special legislative procedure), their duration, the total financial envelope and the share allocated to administrative expenditure;

(ii) for multiannual programmes referred to in Annex II to the MFF Regulation, the Commission should indicate transparently the additional allocations under Article 5 of the MFF Regulation;

(iii) for annual actions (relating to pilot projects, preparatory actions and agencies) and actions financed under the prerogatives of the Commission, the Commission should provide multiannual estimates;

(b) pending legislative proposals: ongoing Commission proposals, with the latest update.

The Commission should consider ways of cross-referencing the financial programming with its legislative programming to provide more precise and reliable forecasts. For each legislative proposal, the Commission should indicate whether it is included in the programming communicated at the time of the presentation of the draft budget or after the final adoption of the budget. The Commission should inform the European Parliament and the Council in particular of:

(a) all new legislative acts adopted and all pending proposals presented but not included in programming communicated at the time of the draft budget or after the final adoption of the budget (with the corresponding amounts);

(b) legislation foreseen in the Commission’s annual legislative work programme, with an indication of whether the actions are likely to have a financial impact.

Whenever necessary, the Commission should indicate the reprogramming entailed by new legislative proposals.
27. Before presenting a proposal for the creation of a new agency, the Commission should produce a sound, complete and objective impact assessment, taking into account, *inter alia*, the critical mass of staff and competencies, cost-benefit aspects, subsidiarity and proportionality, the impact on national and Union activities, and the budgetary implications for the expenditure heading concerned. On the basis of that information and without prejudice to the legislative procedures governing the setting up of the agency, the European Parliament and the Council commit themselves, in the framework of budgetary cooperation, to arrive at a timely agreement on the financing of the proposed agency.

The following procedural steps shall be applied:

— firstly, the Commission shall systematically present any proposal for setting up a new agency to the first trilogue following the adoption of its proposal, and shall present the financial statement accompanying the legislative proposal for the creation of the agency and shall illustrate the consequences thereof for the remaining period of the financial programming;

— secondly, during the legislative process, the Commission shall assist the legislator in assessing the financial consequences of the amendments proposed. Those financial consequences should be considered during the relevant legislative trilogues;

— thirdly, before the conclusion of the legislative process, the Commission shall present an updated financial statement taking into account potential amendments by the legislator; that final financial statement shall be placed on the agenda of the final legislative trilogue and formally endorsed by the legislator. It shall also be placed on the agenda of a subsequent budgetary trilogue (in urgent cases, in simplified form), in view of reaching an agreement on the financing;

— fourthly, the agreement reached during a trilogue, taking into account the Commission’s budgetary assessment with regard to the content of the legislative process, shall be confirmed in a joint declaration. That agreement shall be subject to approval by the European Parliament and by the Council, each in accordance with its own rules of procedure.

The same procedure would be applied to any amendment to a legal act concerning an agency which would have an impact on the resources of the agency in question.

Should the tasks of an agency be altered substantially without an amendment to the legal act setting up the agency in question, the Commission shall inform the European Parliament and the Council by means of a revised financial statement, so as to allow the European Parliament and the Council to arrive at a timely agreement on the financing of the agency.

28. Relevant provisions from the Common Approach annexed to the Joint Statement of the European Parliament, the Council of the European Union and the European Commission on decentralised agencies signed on 19 July 2012 should be duly taken into account in the budgetary procedure.

29. When the creation of a new European school is envisaged by the Board of Governors, a similar procedure is to be applied, mutatis mutandis, for its budgetary implications on the Union budget.

**PART IV**

**PROTECTION OF THE UNION BUDGET: QUALITY AND COMPARABILITY OF DATA ON BENEFICIARIES**

30. In line with the requests of the European Parliament and in response to point 24 of the European Council conclusions of 17 to 21 July 2020, in order to enhance the protection of the Union budget and the European Union Recovery Instrument against fraud and irregularities, the Institutions agree on the introduction of standardised measures to collect, compare and aggregate information and figures on the final recipients and beneficiaries of Union funding, for the purposes of control and audit.
31. To ensure effective controls and audits, it is necessary to collect data on those ultimately benefitting, directly or indirectly, from Union funding under shared management and from projects and reforms supported under Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, including data on beneficial owners of the recipients of the funding. The rules related to the collection and processing of such data will have to comply with applicable data protection rules.

32. To enhance the protection of the Union budget, the Commission will make available an integrated and interoperable information and monitoring system, including a single data-mining and risk-scoring tool, to access and analyse the data referred to in point 31 with a view to a generalised application by Member States. That system would ensure efficient checks on conflicts of interests, irregularities, issues of double funding, and any misuse of the funds. The Commission, the European Anti-Fraud Office (OLAF) and other Union investigative and control bodies should have the necessary access to that data in order to exercise their supervisory functions in relation to the controls and audits that are to be carried out by the Member States in the first place to detect irregularities and conduct administrative investigations into the misuse of the Union funding concerned, and to get a precise overview of its distribution.

33. Without prejudice to the prerogatives of the Institutions under the Treaties, in the course of the legislative procedure relating to the relevant basic acts, the Institutions undertake to sincerely cooperate to ensure the follow-up to the European Council conclusions of 17 to 21 July 2020, in line with the approach described in this Part.

Done at Brussels, 16 December 2020.

For the European Parliament
The President
David Maria SASSOLI

For the Council
The President
Michael ROTH

For the Commission
On behalf of the President
Johannes HAHN
ANNEX I

INTERINSTITUTIONAL COOPERATION DURING THE BUDGETARY PROCEDURE

Part A. Calendar of the budgetary procedure

1. The Institutions shall agree a pragmatic calendar each year in due time before the start of the budgetary procedure on the basis of present practice.

2. In order to ensure that the European Parliament and the Council are able to exercise their budgetary prerogatives in an effective manner, budgetary positions, transfers or other notifications entailing the activation of deadlines shall be submitted taking due account of any recess periods, the dates of which those institutions have informed each other in due time through their respective services.

Part B. Priorities for the budgetary procedure

3. In due time before the Commission adopts the draft budget, a trilogue shall be convened to discuss the possible priorities for the budget of the coming financial year and any questions arising from the implementation of the budget of the current financial year, on the basis of the information provided by the Commission in accordance with point 37.

Part C. Establishment of the draft budget and updating of estimates

4. The institutions, other than the Commission, are invited to adopt their statement of estimates before the end of March.

5. The Commission shall, each year, present a draft budget showing the Union's actual financing requirements. It shall take into account:
   (a) forecasts provided by the Member States in relation to the Structural Funds;
   (b) the capacity for utilising appropriations, while endeavouring to maintain a strict relationship between appropriations for commitments and appropriations for payments;
   (c) possibilities for starting up new policies through pilot projects, new preparatory actions or both, or for continuing multiannual actions which are coming to an end, after assessing whether it is possible to secure a basic act, within the meaning of the Financial Regulation (definition of a basic act, necessity of a basic act for implementation and exceptions);
   (d) the need to ensure that any change in expenditure in relation to the previous year is in accordance with the constraints of budgetary discipline.

6. The Institutions shall, as far as possible, avoid entering items in the budget involving insignificant amounts of expenditure on operations.

7. The European Parliament and the Council also undertake to bear in mind the assessment of the possibilities for implementing the budget made by the Commission in its drafts and in connection with the implementation of the budget for the current financial year.

8. In the interests of sound financial management and owing to the effect of major changes in the titles and chapters of the budget nomenclature on the management reporting responsibilities of Commission departments, the European Parliament and the Council undertake to discuss any major changes with the Commission during the conciliation.
9. In the interest of loyal and sound institutional cooperation, the European Parliament and the Council commit to maintaining regular and active contacts at all levels, through their respective negotiators, throughout the whole budgetary procedure and, in particular, during the whole conciliation period with a view to reaching an agreement. The European Parliament and the Council undertake to ensure the timely and constant mutual exchange of relevant information and documents at both formal and informal levels, as well as to hold technical or informal meetings as needed, during the conciliation period, in cooperation with the Commission. The Commission shall ensure timely and equal access to information and documents for the European Parliament and for the Council.

10. Until such time as the Conciliation Committee is convened, the Commission may, if necessary, submit letters of amendment to the draft budget in accordance with Article 314(2) TFEU, including a letter of amendment updating, in particular expenditure estimates for agriculture. The Commission shall submit information on updates to the European Parliament and to the Council for their consideration as soon as it is available. It shall supply the European Parliament and the Council with all the duly justified reasons they may require.

Part D. Budgetary procedure before the conciliation procedure

11. A trilogue shall be convened in due time before the Council’s reading, to allow the Institutions to exchange their views on the draft budget.

12. In order for the Commission to be able to assess in due time the executability of amendments, envisaged by the European Parliament and by the Council, which create new preparatory actions or pilot projects or which prolong existing ones, the European Parliament and the Council shall inform the Commission of their intentions in that regard, so that a first discussion may already take place at that trilogue.

13. A trilogue may be convened before the votes in plenary of the European Parliament.

Part E. Conciliation procedure

14. If the European Parliament adopts amendments to the Council’s position, the President of the Council shall, during the same plenary sitting, take note of the differences in the position of the two institutions and give his/her agreement for the President of the European Parliament to convene the Conciliation Committee immediately. The letter convening the Conciliation Committee shall be sent at the latest on the first working day of the week following the end of the parliamentary part-session during which the plenary vote was delivered, and the conciliation period shall start on the following day. The 21-day period shall be calculated in accordance with Regulation (EEC, Euratom) No 1182/71 of the Council (1).

15. If the Council cannot agree on all the amendments adopted by the European Parliament, it should confirm its position by letter sent before the first meeting foreseen during the conciliation period. In such case, the Conciliation Committee shall proceed in accordance with the conditions laid down in the following points.

16. The Conciliation Committee shall be chaired jointly by representatives of the European Parliament and of the Council. Meetings of the Conciliation Committee shall be chaired by the co-chair from the institution hosting the meeting. Each institution, in accordance with its own rules of procedure, shall designate its participants for each meeting and set out its mandate for the negotiations. The European Parliament and the Council shall be represented at an appropriate level in the Conciliation Committee, such that each delegation can commit politically its respective institution, and that actual progress towards the final agreement may be made.

17. In accordance with the second subparagraph of Article 314(5) TFEU, the Commission shall take part in the Conciliation Committee's proceedings and shall take all the necessary initiatives with a view to reconciling the positions of the European Parliament and of the Council.

18. Trilogues shall take place throughout the conciliation procedure, at different levels of representation, with the aim of resolving outstanding issues and preparing the ground for an agreement to be reached in the Conciliation Committee.

19. Meetings of the Conciliation Committee and trilogues shall be held alternately at the premises of the European Parliament and of the Council, with a view to an equal sharing of facilities, including interpretation facilities.

20. The dates of the meetings of the Conciliation Committee and the trilogues shall be set in advance by agreement of the Institutions.

21. A common set of documents ("input documents") comparing the various steps of the budgetary procedure shall be made available to the Conciliation Committee (\(^2\)). Those documents shall include "line by line" figures, totals by MFF headings and a consolidated document with figures and remarks for all budget lines deemed technically "open". Without prejudice to the final decision of the Conciliation Committee, a specific document shall list all budget lines deemed technically closed (\(^3\)). Those documents shall be classified by budgetary nomenclature.

Other documents shall also be attached to the input documents for the Conciliation Committee, including a letter of executability from the Commission on the Council's position and the European Parliament's amendments, and any letters from other institutions concerning the Council's position or the European Parliament's amendments.

22. With a view to reaching agreement by the end of the conciliation period, trilogues shall:

(a) define the scope of the negotiations on the budgetary issues to be addressed;

(b) endorse the list of the budget lines deemed technically closed, subject to the final agreement on the entire budget of the financial year;

(c) discuss issues identified under point (a) with a view to reaching possible agreements to be endorsed by the Conciliation Committee;

(d) address thematic issues, including by headings of the MFF.

Tentative conclusions shall be drawn jointly during or immediately after each trilogue, and, simultaneously, the agenda of the following meeting shall be agreed. Those conclusions shall be registered by the institution hosting the trilogue and shall be deemed provisionally approved after 24 hours, without prejudice to the final decision of the Conciliation Committee.

23. The conclusions of trilogues and a document for possible endorsement shall be available to the Conciliation Committee at its meetings, together with the budget lines in respect of which an agreement has been tentatively reached during the trilogues.

24. The joint text provided for in Article 314(5) TFEU shall be established by the secretariats of the European Parliament and of the Council with the assistance of the Commission. It shall consist of a letter of transmission addressed by the chairs of the two delegations to the Presidents of the European Parliament and of the Council, containing the date of the agreement at the Conciliation Committee, and annexes which shall include:

(a) line by line figures for all budget items and summary figures by MFF headings;

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\(^2\) The various steps include: the budget of the current financial year (including adopted amending budgets); the initial draft budget; the Council’s position on the draft budget; the European Parliament’s amendments to the Council’s position and the letters of amendment presented by the Commission (if not yet fully approved by the Institutions).

\(^3\) A budget line deemed technically closed is a line for which there is no disagreement between the European Parliament and the Council, and for which no letter of amendment has been presented.
(b) a consolidated document, indicating the figures and final text of all lines that have been amended during the conciliation procedure;

(c) the list of the lines not amended with regard to the draft budget or the Council’s position on it.

The Conciliation Committee may also approve conclusions and possible joint statements in relation to the budget.

25. The joint text shall be translated into the official languages of the institutions of the Union (by the services of the European Parliament) and shall be submitted for approval of the European Parliament and of the Council within a period of 14 days from the date of the agreement on the joint text referred to point 24.

The budget shall be subject to legal-linguistic revision after the adoption of the joint text by integrating the annexes of the joint text with the budget lines not amended during the conciliation procedure.

26. The institution hosting the meeting (trilogue or conciliation) shall provide interpretation facilities with a full linguistic regime applicable to the Conciliation Committee meetings and an ad hoc linguistic regime for the trilogues.

The institution hosting the meeting shall provide for the copying and distribution of room documents.

The services of the Institutions shall cooperate in the encoding of the results of the negotiations in order to finalise the joint text.

Part F. Amending budgets

General principles

27. Bearing in mind that amending budgets are frequently focused on specific and sometimes urgent issues, the Institutions agree on the following principles to ensure appropriate interinstitutional cooperation for a smooth and swift decision-making process for amending budgets while avoiding, insofar as possible, having to convene a conciliation meeting for amending budgets.

28. As far as possible, the Institutions shall endeavour to limit the number of amending budgets.

Calendar

29. The Commission shall inform the European Parliament and the Council in advance of the possible dates of adoption of draft amending budgets, without prejudice to the final date of adoption.

30. The European Parliament and the Council, each in accordance with its internal rules of procedure, shall endeavour to examine the draft amending budget proposed by the Commission at an early opportunity after its adoption by the Commission.

31. In order to speed up the procedure, the European Parliament and the Council shall ensure that their respective calendars of work are coordinated as far as possible in order to enable proceedings to be conducted in a coherent and convergent way. They shall therefore seek as soon as possible to establish an indicative timetable for the various stages leading to the final adoption of the amending budget.

The European Parliament and the Council shall take into account the relative urgency of the amending budget and the need to approve it in due time to be effective during the financial year concerned.
Cooperation during the readings

32. The Institutions shall cooperate in good faith throughout the procedure, clearing the way, as far as possible, for the adoption of amending budgets at an early stage of the procedure.

Where appropriate, and when there is a potential divergence, the European Parliament or the Council, before each takes its final position on the amending budget, or the Commission at any time, may propose that a specific trilogue be convened to discuss the divergences and to try to reach a compromise.

33. All draft amending budgets proposed by the Commission and not yet finally approved shall be entered systematically on the agenda of trilogues planned for the annual budgetary procedure. The Commission shall present the draft amending budgets and the European Parliament and the Council shall, as far as possible, make known their respective positions ahead of the trilogue.

34. If a compromise is reached during a trilogue, the European Parliament and the Council undertake to consider the results of the trilogue when deliberating on the amending budget in accordance with the TFEU and their rules of procedure.

Cooperation after the readings

35. If the European Parliament approves the position of the Council without amendments, the amending budget shall be adopted in accordance with the TFEU.

36. If the European Parliament adopts amendments by a majority of its component members, point (c) of Article 314 (4) TFEU shall apply. However, before the Conciliation Committee meets, a trilogue shall be called:

(a) if an agreement is reached during that trilogue and subject to the agreement of the European Parliament and of the Council on the results of the trilogue, the conciliation shall be closed by an exchange of letters without a meeting of the Conciliation Committee;

(b) if no agreement is reached during that trilogue, the Conciliation Committee shall meet and organise its work in accordance with the circumstances, with a view to completing the decision-making process as much as possible before the 21-day deadline laid down in Article 314(5) TFEU. The Conciliation Committee may conclude by an exchange of letters.

Part G. Budget implementation, payments and reste à liquider (RAL)

37. Given the need to ensure an orderly progression of the total appropriations for payments in relation to the appropriations for commitments so as to avoid any abnormal shift of RAL from one year to another, the Institutions agree to monitor closely the payment forecasts and the level of the RAL so as to mitigate the risk of hampering the implementation of Union programmes because of a lack of payment appropriations at the end of the MFF.

In order to ensure a manageable level and profile for the payments in all headings, de-commitment rules shall be applied strictly in all headings, in particular the rules for automatic de-commitments.

In the course of the budgetary procedure, the Institutions shall meet regularly with a view to jointly assessing the state of play and the outlook for budgetary implementation in the current and future financial years. That assessment shall take the form of dedicated interinstitutional meetings at the appropriate level, before which the Commission shall provide the detailed state of play, broken down by fund and Member State, on payment implementation, on transfers, on reimbursement claims received and revised forecasts, including long-term forecasts, where applicable. In particular, in order to ensure that the Union can fulfil all its financial obligations stemming from existing and future commitments in the period 2021-2027 in accordance with Article 323 TFEU, the European Parliament and the Council shall analyse and discuss the Commission’s estimates as to the required level of payment appropriations.
Part H. Cooperation as regards the European Union Recovery Instrument (*)

38. For the sole purpose of addressing the consequences of the COVID-19 crisis, the Commission will be empowered to borrow funds on capital markets on behalf of the Union up to EUR 750 000 million in 2018 prices, of which up to EUR 390 000 million in 2018 prices may be used for expenditure and up to EUR 360 000 million in 2018 prices may be used for providing loans in accordance with Article 5(1) of the Own Resources Decision. As provided for in the EURI Regulation, the amount to be used for expenditure constitutes external assigned revenue for the purposes of Article 21(5) of the Financial Regulation.

39. The Institutions agree that the role of the European Parliament and of the Council, where acting in their capacity of budgetary authority, needs to be enhanced in relation to the external assigned revenue under the European Union Recovery Instrument, with a view to ensuring a proper oversight of and involvement in the use of such revenue, within the limits set out in the EURI Regulation and, as appropriate, in the relevant sectoral legislation. The Institutions also agree on the need to ensure full transparency and visibility of all funds under the European Union Recovery Instrument.

External assigned revenue under the European Union Recovery Instrument

40. Given the need to ensure an appropriate involvement of the European Parliament and of the Council in the governance of external assigned revenue under the European Union Recovery Instrument, the Institutions agree on the procedure set out in points 41 to 46.

41. The Commission will provide detailed information with its draft estimates in the context of the budgetary procedure. Such information shall include detailed estimates of commitment appropriations and payment appropriations as well as of legal commitments, broken down by heading and by programme that receives assigned revenue under the EURI Regulation. The Commission will provide any additional relevant information requested by the European Parliament or by the Council. The Commission will attach to the draft budget a document compiling all relevant information concerning the European Union Recovery Instrument, including summary tables aggregating budget appropriations and assigned revenue under the European Union Recovery Instrument. That document will be part of the annex to the general budget of the Union on external assigned revenue provided for in point 44.

42. The Commission will present regular updates of the information referred to in point 41 throughout the financial year and at least ahead of each dedicated meeting as referred to in point 45. The Commission will make the relevant information available to the European Parliament and to the Council in time to allow meaningful discussions and deliberations on corresponding planning documents, including before the Commission adopts relevant decisions.

43. The Institutions will meet regularly in the context of the budgetary procedure with a view to jointly assessing the implementation of external assigned revenue under the European Union Recovery Instrument, in particular the state of play and outlook and to discuss the annual estimates provided with the respective draft budgets and their distribution, with due regard to the limitations and conditions set out in the EURI Regulation and, as appropriate, in relevant sectoral legislation.

44. The European Parliament and the Council will attach to the general budget of the Union in the form of an annex a document setting out all the budget lines that receive assigned revenue under the European Union Recovery Instrument. Moreover, they will use the budget structure for accommodating the assigned revenue under the European Union Recovery Instrument, and in particular the budgetary remarks, to exercise due control over the use of that revenue. In accordance with Article 22 of the Financial Regulation, the European Parliament and the

(*) Where the Commission submits a proposal for an act of the Council under Article 122 TFEU with potential appreciable budgetary implications, the procedure as set out in the joint declaration of the European Parliament, the Council and the Commission of 16 December 2020 on budgetary scrutiny of new proposals based on Article 122 TFEU with potential appreciable implications for the Union budget (OJ C 444, 22.12.2020, p. 5) is applicable.
Council will include in the statement of expenditure remarks, including general remarks, showing which budget lines may receive the appropriations corresponding to the revenue assigned on the basis of the EURI Regulation and indicating relevant amounts. The Commission, in exercising its responsibility for implementing the assigned revenue, undertakes to take due account of such remarks.

45. The Institutions agree to organise dedicated interinstitutional meetings at the appropriate level with a view to assessing the state of play and outlook for external assigned revenue under the European Union Recovery Instrument. Those meetings will take place at least three times in a financial year soon before or after the budgetary trilogues. Furthermore, the Institutions shall meet on an ad hoc basis if one institution provides a reasoned request. The European Parliament and the Council may at any time present written observations concerning the implementation of external assigned revenue. The Commission undertakes to take due account of any remarks and suggestions made by the European Parliament and by the Council. Those meetings may address significant deviations in European Union Recovery Instrument expenditure, in line with point 46.

46. The Commission shall provide detailed information about any deviation from its initial forecasts prior to a dedicated interinstitutional meeting as referred to in point 45 and on an ad hoc basis in case of a significant deviation. A deviation from forecasted European Union Recovery Instrument expenditure is significant if the expenditure deviates from the forecast for a given financial year and for a given programme by more than 10%. In case of significant deviations from initial forecasts, the Institutions will discuss the matter, if either the European Parliament or the Council requests to do so within two weeks after notice of such a significant deviation. The Institutions will jointly assess the matter with a view to finding common ground within three weeks of the request for a meeting. The Commission will take utmost account of any comments received. The Commission undertakes not to take any decision until the deliberations have been concluded or the period of three weeks has expired. In the latter case, the Commission shall duly justify its decision. In the event of urgency, the Institutions may agree to shorten the deadlines by one week.

Loans provided under the European Union Recovery Instrument

47. In order to ensure full information as well as transparency and visibility as regards the loan component of the European Union Recovery Instrument, the Commission will provide detailed information about loans provided to Member States under the European Union Recovery Instrument together with its draft estimates, while paying particular attention to sensitive information, which is protected.

48. Information about loans under the European Union Recovery Instrument will be shown in the budget in accordance with the requirements in point (d) of Article 52(1) of the Financial Regulation and will also include the annex referred to in point (iii) of that point.
ANNEX II

INTERINSTITUTIONAL COOPERATION ON A ROADMAP TOWARDS THE INTRODUCTION OF NEW OWN RESOURCES

Preamble

A. The Institutions are committed to sincere and transparent cooperation and the work towards the implementation of a roadmap for the introduction of new own resources over the duration of the MFF 2021-2027.

B. The Institutions recognise the importance of the context of the European Union Recovery Instrument, in which the new own resources should be introduced.

C. For the sole purpose of addressing the consequences of the COVID-19 crisis, the Commission will be empowered, under Article 5(1) of the Own Resources Decision, to borrow funds on capital markets on behalf of the Union up to EUR 750 000 million in 2018 prices, of which up to EUR 390 000 million in 2018 prices may be used for expenditure in accordance with point (b) of Article 5(1) of that Decision.

D. The repayment of the principal of such funds to be used for expenditure under the European Union Recovery Instrument and the related interest due will have to be financed by the general budget of the Union, including by sufficient proceeds from new own resources introduced after 2021. All related liabilities will be fully repaid by 31 December 2058 at the latest as provided for in the second subparagraph of Article 5(2) of the Own Resources Decision. The annual amounts payable will depend on the maturities of the bonds issued and the debt repayment strategy, while respecting the limit for the repayment of the principal of the funds referred to in the third subparagraph of that paragraph set at 7,5 % of the maximum amount to be used for expenditure referred to in point (b) of Article 5(1) of that Decision.

E. The expenditure from the Union budget related to the repayment of the European Union Recovery Instrument should not lead to an undue reduction in programme expenditure or investment instruments under the MFF. It is also desirable to mitigate the increases in the GNI-based own resource for the Member States.

F. Therefore, and in order to enhance the credibility and sustainability of the European Union Recovery Instrument repayment plan, the Institutions will work towards introducing sufficient new own resources with a view to covering an amount corresponding to the expected expenditure related to the repayment. In accordance with the principle of universality, this would not imply an earmarking or assignment of any particular own resource to cover a specific type of expenditure.

G. The Institutions acknowledge that the introduction of a basket of new own resources should support the adequate financing of Union expenditure in the MFF, while reducing the share of national GNI-based contributions in the financing of the Union's annual budget. The diversification of revenue sources in turn could facilitate the attainment of a better focus of expenditure at Union level on priority areas and on common public goods with high efficiency gains compared to national spending.

H. Therefore, new own resources should be aligned with Union policy objectives and should support Union priorities such as the European Green Deal and a Europe fit for the Digital Age, and should contribute to fair taxation and the strengthening of the fight against tax fraud and tax evasion.

I. The Institutions agree that new own resources should preferably be created in a way that allows generating “fresh money”. In parallel, they aim at reducing red tape and the burden for companies, especially for small and medium-sized enterprises (SMEs), and for citizens.

J. New own resources should fulfil the criteria of simplicity, transparency, predictability and fairness. The calculation, transfer and control of the new own resources should not lead to an excessive administrative burden for Union institutions and national administrations.

K. Considering the heavy procedural requirements for the introduction of new own resources, the Institutions agree that the necessary reform of the own resources system should be achieved with a limited number of revisions of the Own Resources Decision.
L. The Institutions therefore agree to cooperate during the period 2021-2027 on the basis of the principles set out in this Annex in order to work towards the introduction of new own resources in line with the roadmap set out in Part B and with the dates set out therein.


Part A. Principles for the implementation

1. The Commission will make the necessary legislative proposals for new own resources and for potential other new own resources as referred to in point 10 in accordance with Better Law-Making principles. It will in that context take due account of suggestions made by the European Parliament and by the Council. Those legislative proposals will be accompanied by the relevant own resources implementing legislation.

2. The Institutions agree on the following guiding principles for the introduction of a basket of new own resources:

(a) raising an amount through the new own resources that is sufficient to cover the level of overall expected expenditure for the repayment of the principal and the interest of the funds borrowed to be used for expenditure referred to in point (b) of Article 5(1) of the Own Resources Decision, while respecting the principle of universality. Revenue from own resources in excess of the needs for repayment shall continue to fund the Union budget as general revenue in accordance with the principle of universality;

(b) expenditure covering the financing costs of the European Union Recovery Instrument shall aim at not reducing expenditure for Union programmes and funds;

(c) aligning the own resources with the Union priorities, such as the fight against climate change, the circular economy, Europe fit for the Digital Age and contributing to fair taxation and to the strengthening of the fight against tax fraud and tax evasion;

(d) respecting the criteria of simplicity, transparency, and fairness;

(e) ensuring stability and predictability of the revenue flow;

(f) not leading to an excessive administrative burden for Union institutions and national administrations;

(g) preferably generating additional “fresh” revenues;

(h) in parallel, aiming at reducing red tape and the burden for companies, especially for SMEs, and for citizens.

3. The European Parliament and the Council will analyse, discuss and proceed without undue delay with the legislative proposals referred to in point 1 in accordance with their internal procedures with a view to facilitating a swift decision. After the Commission has presented its proposals, members of the European Parliament and representatives of the Council will in the course of their deliberations meet in the presence of the Commission representatives in order to inform each other about the respective state of play. In addition, the Institutions will enter into a regular dialogue to take stock of progress as regards the roadmap.

Part B. Roadmap towards the introduction of new own resources

First step: 2021

4. As a first step, a new own resource will be introduced to apply as of 1 January 2021 composed of a share of revenues from national contributions calculated on the weight of non-recycled plastic packaging waste as provided for in the Own Resources Decision. That decision is scheduled to enter into force in January 2021, subject to approval by Member States in accordance with their respective constitutional requirements.

5. The Commission will accelerate its work and, following impact assessments launched in 2020, put forward proposals on a carbon border adjustment mechanism and on a digital levy as well as an accompanying proposal to introduce new own resources on that basis by June 2021 with a view to their introduction at the latest by 1 January 2023.

6. The Commission will review the EU Emissions Trading System in spring 2021, including its possible extension to aviation and maritime. It will propose an own resource based on the EU Emissions Trading System by June 2021.

7. The Institutions agree that the carbon border adjustment mechanism and the EU Emissions Trading System are thematically interlinked and that it would therefore be warranted to discuss them in the same spirit.

Second step: 2022 and 2023

8. Following the applicable procedures under the Treaties and subject to approval by Member States in accordance with their respective constitutional requirements, these new own resources are envisaged to be introduced by 1 January 2023.

9. The Council will deliberate on these new own resources by 1 July 2022 at the latest in view of their introduction by 1 January 2023.

Third step: 2024-2026

10. The Commission will, based on impact assessments, propose additional new own resources, which could include a Financial Transaction Tax and a financial contribution linked to the corporate sector or a new common corporate tax base. The Commission shall endeavour to make a proposal by June 2024.

11. Following the applicable procedures under the Treaties and subject to approval by Member States in accordance with their respective constitutional requirements, such additional new own resources are envisaged to be introduced by 1 January 2026.

12. The Council will deliberate on these new own resources by 1 July 2025 at the latest in view of their introduction by 1 January 2026.