













Procedure file

Basic information	
ACI - Interinstitutional agreement procedure	2018/2070(ACI)
Procedure completed, awaiting publication in Official Journal	
Interinstitutional agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management Repealing Interinstitutional Agreement of 2 December 2013 2011/2152(ACI) Subject 8.40.10 Interinstitutional relations, subsidiarity, proportionality, comitology 8.70.01 Financing of the budget, own resources 8.70.02 Financial regulations Legislative priorities Multiannual Financial Framework 2021-2027	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Constitutional Affairs		27/08/2020
		 GONZÁLEZ PONS Esteban Shadow rapporteur  NEGRESCU Victor  GOZI Sandro  DZHAMBAZKI Angel	
	Former committee responsible  Constitutional Affairs		
	Committee for opinion  Budgets	Rapporteur for opinion	Appointed
			01/10/2020
		 OLBRYCHT Jan  MARQUES Margarida	01/10/2020
	Former committee for opinion  Budgets		

Key events

02/05/2018	Non-legislative basic document published	COM(2018)0323	Summary
28/05/2018	Committee referral announced in Parliament		
14/12/2020	Vote in committee		
14/12/2020	Committee report tabled for plenary	A9-0261/2020	
16/12/2020	Results of vote in Parliament		
16/12/2020	Debate in Parliament		
16/12/2020	Decision by Parliament	T9-0358/2020	Summary

Technical information

Procedure reference	2018/2070(ACI)
Procedure type	ACI - Interinstitutional agreement procedure
Procedure subtype	Interinstitutional agreement
	Repealing Interinstitutional Agreement of 2 December 2013 2011/2152(ACI)
Stage reached in procedure	Procedure completed, awaiting publication in Official Journal
Committee dossier	AFCO/9/00520

Documentation gateway

Non-legislative basic document		COM(2018)0323	02/05/2018	EC	Summary
Supplementary non-legislative basic document		COM(2020)0444	28/05/2020	EC	Summary
Committee draft report		PE660.218	17/11/2020	EP	
Specific opinion	BUDG	PE660.326	19/11/2020	EP	
Amendments tabled in committee		PE661.852	26/11/2020	EP	
Committee report tabled for plenary, single reading		A9-0261/2020	14/12/2020	EP	
Text adopted by Parliament, single reading		T9-0358/2020	16/12/2020	EP	Summary

Interinstitutional agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management

PURPOSE: Proposal for an Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

CONTENT: the purpose of this Agreement is to implement budgetary discipline and improve the functioning of the annual budgetary procedure and cooperation between the institutions on budgetary matters as well as to ensure sound financial management. Budgetary discipline in this Agreement covers all expenditure.

The draft agreement contains provisions relating to the following aspects:

Multi-annual financial framework (MFF) and special instruments: during the budgetary procedure and when adopting the budget, the institutions shall ensure that sufficient margins are left available under the ceilings for the different headings of the MFF. In 2024, the Commission shall update the forecasts for payment appropriations for the period after 2027.

The proposal also deals with the conditions for mobilising the Contingency Margin, the European Globalisation Adjustment Fund, the Emergency Aid Reserve and the Flexibility Instrument.

Interinstitutional cooperation during the budgetary procedure: in the interests of budgetary transparency, the Commission shall draw up an annual report accompanying the Union's general budget, bringing together available and non-confidential information on the Union's assets and liabilities.

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

As regards fisheries agreements, the Commission shall undertake to keep the European Parliament regularly informed of the preparation and progress of negotiations, including their budgetary implications. During the legislative procedure, the procedures should be completed as quickly as possible. Each quarter, the Commission would present detailed information to the European Parliament and the Council on the implementation of the fisheries agreements in force and the financial forecasts for the remainder of the year.

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. No funds may be entered in a reserve.

Each year, the High Representative shall consult the European Parliament on a forward-looking document setting out the main aspects and basic choices of the CFSP, including the financial implications for the general budget of the Union. 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.

Lastly, the Commission shall establish an informal dialogue with the European Parliament on development policy issues regardless of their source of financing.

Sound financial management of EU funds: 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 I, II (except the sub-ceiling for economic, social and territorial cohesion), III (for 'environment and climate and maritime and fisheries), IV, V and VI of the MFF.

That programming, structured by heading, policy area and budget line, shall identify: (i) the legislation in force, with a distinction being drawn between multiannual programmes and annual actions; (ii) pending legislative proposals.

Before presenting a proposal for the creation of a new agency, the Commission shall 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 main steps in the procedure are described in the draft agreement.

Interinstitutional agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management

The Commission has presented an amended proposal for an Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, cooperation in budgetary matters and sound financial management in the light of the economic consequences of the COVID-19 outbreak.

The proposed amendments concern the following points:

Special Instrument Solidarity and Emergency Aid Reserve

The Emergency Aid Reserve shall be renamed the Solidarity and Emergency Aid Reserve. When the Commission considers that the Emergency Aid Reserve needs to be called on, it shall present to the European Parliament and the Council a proposal for a transfer from the Reserve to the corresponding budgetary lines in accordance with the Financial Regulation.

New European Recovery Instrument

The amendments provide for transparent information to the budgetary authority on the implementation of the European Recovery Instrument. It is proposed to introduce a new paragraph in the Interinstitutional Agreement whereby the Commission shall provide the European Parliament and the Council with an annual report on the European Union Recovery Instrument. This report shall contain information on:

- the assets and liabilities arising from borrowing and lending operations carried out under the instrument;
- the aggregate volume of proceeds assigned to EU programmes in the previous year;
- the contribution of these amounts to the achievement of the objectives of the programmes concerned.

Interinstitutional agreement on budgetary discipline, on cooperation in budgetary matters and on

sound financial management

The European Parliament approved by 550 votes to 72, with 73 abstentions, the conclusion of an 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.

An overall political agreement was reached on 10 November 2020 between the representatives of the European Parliament, the Council and the Commission on the Multiannual Financial Framework (MFF) for the period 2021-2027, on own resources and on the European Instrument for Recovery (Next Generation EU). This political agreement includes a renewed Interinstitutional Agreement on budgetary discipline, cooperation on budgetary matters and sound financial management, as well as on new own resources, including a roadmap for the establishment of new own resources.

(1) Implementation of MFF 2021-2027

The Interinstitutional Agreement lays down provisions for the implementation of the MFF. It consists of four parts:

- Part I contains provisions relating to the multiannual financial framework (MFF) and the special thematic and non-thematic instruments;
- Part II concerns interinstitutional cooperation in budgetary matters;
- Part III contains provisions on the sound financial management of EU funds;
- Part IV contains provisions on the quality and comparability of data on beneficiaries with a view to protecting the Union budget.

The agreement is legally binding on the institutions. In particular, it contains provisions on the following elements:

(2) Roadmap towards the introduction of new own resources

Three stages are set for the introduction of the new own resources.

First stage (2021)

- introduction in January 2021 of a plastic contribution, made up of a share of the revenue from national contributions calculated on the basis of the weight of non-recycled plastic packaging waste;
- following impact assessments launched in 2020, presentation of proposals for a carbon border adjustment mechanism and a digital levy, as well as a legislative proposal to establish new own resources on this basis by June 2021, with a view to their introduction by 1 January 2023 at the latest;
- a review of the EU Emissions Trading Scheme (EU ETS) in spring 2021, including its possible extension to aviation and maritime transport, and a proposal for an own resource based on the EU ETS by June 2021.

Second stage (2022 and 2023)

The Council will deliberate on these new own resources before 1 July 2022 at the latest, with a view to having them in place by 1 January 2023.

Third stage (2024-2026)

- by June 2024, the Commission will propose further new own resources, which could include a financial transaction tax and a financial contribution linked to the business sector or a new common corporate tax base;
- the Council will deliberate on these new own resources by 1 July 2025 at the latest with a view to their introduction by 1 January 2026.