

José Manuel Barroso
President of the European Commission

Brussels, 26 November 2010

Dear President of the European Parliament

Dear President of the Council

Following the failure of the Conciliation Committee on 15 November to reach agreement on the 2011 Budget, the Commission has today adopted a new draft budget for 2011. This new draft budget reflects the state of the discussions reached in the Conciliation Committee and provides the budgetary authority with a new opportunity to reach agreement on the budget before the end of the year, so that the Union has a Budget on the 1st of January, thus avoiding the need to have recourse to provisional twelfths.

Very important progress has recently been achieved with the agreement in Coreper on the establishment of a genuine flexibility mechanism, and a balanced solution on the additional financing needs of ITER has been secured as well.

For its part, the European Parliament in its resolution of 25 November has expressed its willingness to reach an agreement on 2011 budget and related issues in a very tight timeframe provided certain conditions are met. In this regard, the Commission wishes to make a contribution to political agreement by making clear the following elements.

Mr Jerzy BUZEK
President of the European Parliament
Rue Wiertz
B-1047 Brussels

His Excellency Mr Yves LETERME
President of the Council
Rue de la Loi, 16
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With regards to the *Union's own resources*, the Commission will provide the necessary information to the European Parliament, and the Council, in order to pave the way for an effective consultation of the European Parliament under article 311 of the Treaty on a new Own Resources draft decision that it will propose together with the multiannual financial framework in June 2011 and to facilitate the implementation of the Treaty provisions in this area.

On the '*Lisbonisation*' of the EU budget, the Commission stresses the importance of supporting the new policy priorities stemming from the Lisbon Treaty and the efforts already made. The current financial framework already points to the growing importance of some of the new policy directions of the Treaty of Lisbon, for instance with a new heading dedicated to Justice and Home Affairs whose expenditure increases by 2.5 times between 2007 and 2013, and strengthened budgetary means for Common Foreign and Security Policy whose expenditure also increases by 2.5 times over the same period.

Several revisions of the current financial framework have permitted additional expenditure in the Lisbon priority areas. The establishment of the European External Action Service introduces the new institutional and policy setting for the EU External Policy as required by the Lisbon Treaty.

The Commission is willing to examine how to strengthen the Lisbon Treaty priority areas within the 2012 and 2013 budgetary procedures. In this context, it intends to thoroughly assess the needs when preparing its draft budgets for 2012 and 2013.

The Commission will fully take into account the financing of the EU new competences and needs stemming from the Treaty of Lisbon and of the objectives of the EU 2020 strategy, in view of its proposals for the next Multiannual Financial Framework.

The Commission will examine within the overall framework of the preparation of its proposals on the next MFF how to increase flexibility, including through allowing the transfer by the Budgetary Authority of unused commitment/payment appropriations to the budget of the following year and their reallocation to other priorities.

Concerning the *European added value*, the Commission considers that it is a key test to justify spending at EU level even if the added value of a political project cannot be reduced to a balance sheet. The European dimension can maximise the efficiency and effectiveness of Member States' finances and help reduce total expenditure. As a consequence, the EU budget should be used to finance EU public goods, actions with strong interdependencies that Member States and regions could or would otherwise not finance themselves, or where it can secure better results.

The Commission undertakes to identify the European added value as part of its impact assessment of new legislative proposals having a budgetary impact.

The Commission will also fully take into account the European added value as well as the synergies between the EU and national budgets for specific policies, and the corresponding savings, in its proposals on the next Multiannual Financial Framework, including the legal bases for the multiannual expenditure programmes.

The Commission will launch the preparation of a comprehensive report on the "Cost of non Europe" for the Member States and the national budgets including, whenever possible, an evaluation by sector.

The Commission will propose to launch a pilot project on the European added value and the synergies between the EU and national budgets in areas such as external action, research and development policy.

Should it prove useful, the Commission is ready to confirm these elements by way of declarations.

With regard to continued *flexibility* within the current financial framework, Coreper has agreed by unanimity, in line with recent decisions on flexibility, to establish a contingency margin of up to 0,03% of the GNI of the Union as a last resort instrument to react to unforeseen circumstances. The financing of the additional financial needs of ITER (€1.3 billion) was agreed in parallel.

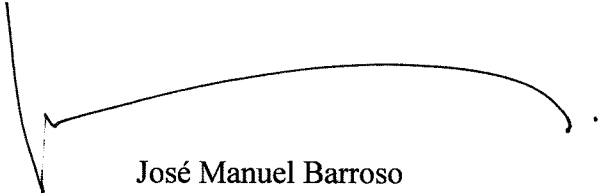
In light of this very important progress, I would like to encourage the European Parliament to give its consent before the end of the year on the draft multiannual financial framework regulation, allowing also to secure the additional financing for ITER through the use of available 2010 margins.

I also encourage the Presidency of the Council to clarify in the coming days with upcoming Presidencies their intention to hold regular exchanges of views with the European Parliament on the next Multiannual Financial Framework and related proposals on the basis of articles 312.5 and 324 of the Treaty.

A close cooperation between the institutions at the highest political level is a natural consequence of our common commitment to agreeing the right financial framework for the future. The Commission will take all the initiatives required for a permanent and fruitful dialogue at all levels, including at the level of the Presidents of the Institutions, in order to construct common understanding leading to the required decisions.

On the basis of the above I call on the European Parliament and the Council to reach a general agreement on the draft budget 2011 before the end of Parliament's December session.

Yours sincerely,



José Manuel Barroso