



Council of the
European Union

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NOTE

From: Budget Committee

To: Permanent Representatives Committee

Subject: Draft general budget of the European Union for the financial year 2023:
Council position
– *Statements*

STATEMENTS FOR ENTRY IN THE COUNCIL MINUTES

1. Statement on payments

In order to ensure the proper implementation of Union's programmes, the Council invites the Commission to continue closely and actively monitoring, during the year 2023, the implementation of the programmes of the current and previous MFFs (particularly in sub-heading 2a and Rural Development). To that end, it invites the Commission to present in a timely manner updated figures concerning the state of affairs and estimates regarding 2023 payment appropriations (taking into account the improved forecasts accuracy of the member states where applicable). If the figures show that the appropriations entered in the budget 2023 are insufficient to cover the justified needs, the Council invites the Commission to present as soon as possible an appropriate solution, *inter alia* a draft amending budget, with a view to allow the budgetary authority to take any necessary decisions as soon as possible without undue delay for justified needs. Where applicable, the Council will take into account the urgency of the matter, shortening the eight-week period for a decision if deemed necessary. The same applies *mutatis mutandis* if the figures show that the appropriations entered in the budget 2023 are higher than needed.

The Council will carefully examine the letter of amendment concerning agriculture (including information on assigned revenue) in order to appropriately assess the level of resources under heading 3 (*Natural resources and environment*) in the budget 2023.

2. Statement on elements not accounted for when establishing the Council position

The Council notes that it will re-evaluate its position in light of the additional information to be provided in the letter of amendment, taking into account the current situation and other possible unforeseen challenges that may arise. Given the exceptional situation, a special focus will be given to Commission's legislative proposals on payment appropriations such as FAST-CARE.

In particular, the Council notes the prevailing uncertainties and consequences of the warfare in Ukraine requiring assistance from the European Union. Moreover, the crisis has an impact on the food security in the southern neighbourhood.

In face of rising interest rates, the Council calls upon the Commission to apply a prudent approach based on real needs in its debt issuances in the second half of 2022, this way limiting the interest costs to be borne by the EU budget in 2023 and future years.

In this respect, the Council urges the Commission to present the necessary information as soon as possible, and at the latest on 21 September 2022, in order to facilitate the work of the two arms of the budgetary authority and to ensure a timely adoption of the 2023 budget.

3. Statement on Article 241

The Council notes that the current method of automatic salary updates puts, in the current unprecedented inflationary environment, an unsustainable burden on administrative expenditure across all headings. According to the updated financial programming the increase of salaries foreseen in 2022 will result in significant additional financing needs in heading 7, not only in 2022 and 2023, but also in future years under the current Multiannual Financial Framework (MFF), exceeding the ceilings of this heading. Future salary increases higher than 2 % will further aggravate this situation. If no compensatory measures are taken, this development would require the mobilization of special instruments that would otherwise be available for financing unforeseen circumstances (such as the direct and indirect consequences of the war in Ukraine). In addition, the Commission and the ECB have repeatedly expressed concerns that automatic wage indexation in Member States could lead to second-round effects that could make an inflationary shock more persistent, which in turn could lead to a further deterioration of the economic and social situation within the EU.

In this context, the Council requests the Commission, in line with Article 241 TFEU and by the end of September 2022, to evaluate the effects and sustainability of the automatic salary update in an high inflation environment and to submit to it any appropriate proposals to alleviate the pressure for administrative expenditure. The elements to be considered in the Commission's evaluation could include but should not be limited to:

- a one-off suspension of the annual update of the remuneration of officials and other servants, while acknowledging acquired rights;
- concrete measures to contain non-salary related spending, such as in the areas of energy consumption in buildings, mission costs or similar (in line with the MFF European Council conclusions);
- the size and duration of allowances;
- the adequacy of the tax system;
- the expansion and extension of the solidarity levy;
- the introduction of a new third mechanism into Annex XI of the Staff Regulation (in addition to the moderation clause and the exception clause) to duly take into account the specific conditions of a high inflation environment.

or any other appropriate measure in light of the situation in the Member States and the sustainability of the administrative spending in the MFF, in time for the European Parliament and the Council to examine and adopt them alongside the amending letter to the EU 2023 budget with the aim to adopt them before the end of 2022.

Without prejudice to Commission's evaluation, the Council recalls that the European Council in July 2020 concluded that there shall be no mid-term review of the 2021 - 2027 MFF.

4. Statement on the European Parliament's own section of the budget

The Council underlines that the ceiling for heading 7 of the Multiannual Financial Framework 2021-2027 is founded on the premise that all EU institutions adopt a comprehensive and targeted approach for stabilizing the number of staff and reducing administrative expenditure.

The Council recalls that the European Parliament (EP) already in the annual budget for 2022 requested and obtained additional 142 posts to its establishment plan as well as 180 external staff. This year, the EP's statement of expenditure and establishment plan for 2023 includes a request for 52 additional establishment plan posts and 116 additional accredited parliamentary assistants.

Such a requirement strikes in a highly inflationary context where the respect for the ceiling of heading 7 in 2023 is put in jeopardy and which calls for all institutions to exercise self-constraint, in line with the obligation to comply with the annual expenditure ceilings. In this context, the EP's request further increases the pressure on heading 7, while leaving to the other institutions the effort to bear the burden of containing the administrative expenditure. It is therefore not compatible with the EP's obligations under Article 2 of the MFF Regulation and it runs counter the points 129 and 130 of the European Council conclusions of 17 to 21 July 2020 on a stable level of staffing in the institutions.

The Council calls on the EP to respect the Gentlemen's Agreement rationale, including the institutional balance between the EP and the Council and the respect for the MFF ceilings and therefore to follow the approach adopted by the Council and ensure the respect of the heading 7 ceiling. It recalls that the Council intends to respect a stable level of staffing and applies a higher abatement (vacancy) rate on its administrative expenditure.

In light of the above, the Council expresses its strong reserves on the EP's statement of expenditure and the establishment plan for 2023. The Council will focus further on these elements during the negotiations on the Union's annual budget for 2023.