

## Interinstitutional Agreement on the budgetary procedure (29 October 1993)

**Caption:** Interinstitutional Agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure.

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## **Interinstitutional Agreement of 29 October 1993 on budgetary discipline and improvement of the budgetary procedure**

### **I. BASIC PRINCIPLES OF THE AGREEMENT**

1. This Interinstitutional Agreement renews, in accordance with the conclusions of the Edinburgh European Council, the Agreement concluded on 29 June 1988. Its purpose is to implement budgetary discipline and to improve the functioning of the annual budgetary procedure and cooperation between the institutions on budgetary matters.

2. This Agreement is intended to ensure that, in the medium term, Community expenditure, broken down by broad category, develops in an orderly manner and within the limits of the own resources assigned to the Community.

Budgetary discipline under this Agreement covers all expenditure. It is binding on all the institutions involved for as long as the Agreement is in force.

3. This Agreement does not alter the respective budgetary powers of the various institutions as laid down in the Treaty.

4. Without prejudice to Section II.C, the contents of this Agreement may not be changed without the consent of all the institutions which are party to it.

### **II. 1993 TO 1999 FINANCIAL PERSPECTIVE**

#### **A. Contents and nature of the financial perspective**

5. The 1993 to 1999 financial perspective, presented in Annex I, is an integral part of this Agreement. It constitutes the reference framework for interinstitutional budgetary discipline. Its contents are consistent with the conclusions of the Edinburgh European Council.

6. The 1993 to 1999 financial perspective establishes, for each of the years and for each heading or subheading, amounts of expenditure in terms of appropriations for commitments. Overall annual totals of expenditure are also shown in terms of both appropriations for commitments and appropriations for payments.

The financing of specific items of expenditure may not be moved from one ceiling to another, unless the financial perspective is revised.

All these amounts are expressed at 1992 prices, except for the monetary reserve, where the amounts are expressed at current prices.

Information relating to operations not included in the general budget of the European Communities and the foreseeable development of the various categories of Community own resources are set out, as an indication, in separate tables. This information is updated annually when the technical adjustment is made to the financial perspective.

7. The European Parliament, the Council and the Commission (hereinafter referred to as the 'institutions') acknowledge that each of the absolute amounts shown in the 1993 to 1999 financial perspective represents an annual ceiling on Community expenditure. Without prejudice to Section II.C, they undertake to use their respective powers in such a way as to comply with the various annual expenditure ceilings during each budgetary procedure and when implementing the budget for the year concerned.

A decision by the Council or joint decision by the European Parliament and the Council which involves exceeding the appropriations available in the budget or the appropriations provided for in the financial

perspective may not be implemented in financial terms until the budget has been amended and, if necessary, the financial perspective has been appropriately revised in accordance with the relevant procedure for each of these cases.

8. For each of the years covered by the financial perspective, the total appropriations for payments required, after annual adjustment and taking account of any other adjustments or revisions, must not be such as to produce a call-in rate for own resources that exceeds the ceiling in force for these resources.

If need be, the two arms of the budgetary authority will decide, acting on a proposal from the Commission and in accordance with the majority voting rules laid down in the fifth subparagraph of Article 203 (9) of the Treaty, to lower the ceilings set in the financial perspective in order to ensure compliance with the ceiling on own resources.

## **B. Annual adjustments to the financial perspective**

### Technical adjustments

9. Each year the Commission, acting ahead of the budgetary procedure for year  $t+1$ , will make the following technical adjustments to the financial perspective in line with movements in gross national product (GNP) and prices:

(a) calculation of the agricultural guideline, which represents the ceiling for heading 1 (Common agricultural policy);

(b) revaluation, at year  $t+1$  prices, of the ceilings for the other headings and subheadings and of the overall figures for appropriations for commitments and appropriations for payments, except in the case of the monetary reserve.

The Commission will make these technical adjustments on the basis of the most recent economic data and forecasts available. The results of such adjustments and the underlying economic forecasts will be communicated to the two arms of the budgetary authority.

No further technical adjustments will be made in respect of the year concerned, either during the year or as ex-post corrections during subsequent years.

### Adjustments connected with the conditions of implementation

10. When notifying the two arms of the budgetary authority of the technical adjustments to the financial perspective, the Commission will present any proposals for adjustments to the total appropriations for payments which it considers necessary, in the light of the conditions of implementation, to ensure an orderly progression in relation to the appropriations for commitments.

The two arms of the budgetary authority, acting on a proposal from the Commission, undertake to authorize the transfer to subsequent years, in excess of the corresponding ceilings on expenditure, allocations for the programmes referred to in paragraph 21 not used in the previous year.

The European Parliament and the Council will take decisions on these proposals before 1 May of year  $t$ , in accordance with the majority voting rules laid down in the fifth subparagraph of Article 203 (9) of the Treaty.

## **C. Revision of the financial perspective**

11. In addition to the regular technical adjustments and adjustments in line with the conditions of

implementation, the financial perspective may be revised in compliance with the own resources ceiling, on a proposal from the Commission, if unforeseen measures have to be initiated.

12. As a general rule, any such proposal for revision must be presented and adopted before the start of the budgetary procedure for the year or the first of the years concerned.

The decision to revise the financial perspective will be taken jointly by the two arms of the budgetary authority acting in accordance with the majority voting rules laid down in the fifth subparagraph of Article 203 (9) of the Treaty.

13. The institutions, acting on a proposal from the Commission, will examine the scope for reallocating expenditure between the programmes covered by the heading concerned by the revision, with particular reference to any expected underutilization of appropriations.

The objective should be that a significant amount, in absolute terms and as a percentage of the new expenditure planned, should be within the existing ceiling for the heading.

The institutions will also examine the scope for offsetting raising the ceiling for one heading by lowering the ceiling for another.

They undertake, however, not to allow any revision of the compulsory expenditure in the financial perspective to lead to a reduction in the amount available for non-compulsory expenditure.

Any revision must maintain an appropriate relationship between commitments and payments.

#### **D. Consequences of the absence of a joint decision by the institutions on the adjustment to, or revision of, the financial perspective**

14. If the institutions fail to reach a joint decision on any adjustment or revision of the financial perspective proposed by the Commission, the objectives set previously will, after the annual technical adjustment, continue to apply as the expenditure ceilings for the year in question.

#### **E. Reserves**

15. In accordance with the conclusions of the Edinburgh European Council, three reserves are entered in the general budget of the European Communities. The necessary resources will be called in only when these reserves are implemented.

(a) The monetary reserve is intended to cover the impact on agricultural budget expenditure of significant and unforeseen movements in the dollar/ecu parity in relation to the parity used in the budget.

The monetary reserve may also be used when the agricultural guideline does not offer a sufficient margin to absorb the budgetary costs incurred as a direct consequence of monetary realignments within the European monetary system.

(b) The reserve for guaranteeing loans to non-member countries is intended to endow the budget headings which will be drawn on to constitute the Guarantee Fund and for any additional payments to be made should a debtor default.

(c) The purpose of the reserve for emergency aid to non-member countries is to provide a rapid response to specific aid needs, resulting from events which could not be foreseen when the budget was established, first and foremost for humanitarian operations.

When it considers that one of these reserves needs to be called on, the Commission will present a proposal for an appropriate transfer to the two arms of the budgetary authority.

Any Commission proposal to draw on the reserve for emergency aid must, however, be preceded by an examination of the scope for reallocating appropriations.

At the same time as it presents its proposal for a transfer, the Commission will initiate a dialogue procedure, if necessary in a simplified form, to secure the agreement of the two arms of the budgetary authority on the need to use the reserve and on the amount required.

If the Commission's proposal fails to secure the agreement of the two arms of the budgetary authority, and if the European Parliament and the Council are unable to agree on a common position, they will refrain from taking a decision on the Commission's proposal for a transfer.

### **III. IMPROVEMENT OF THE BUDGETARY PROCEDURE**

16. The institutions undertake to provide appropriations in the budget to honour the Communities' internal and external legal obligations and policy commitments, with due regard for budgetary discipline and the fourth subparagraph of paragraph 13.

The European Parliament, the Council and the Commission confirm the principles and mechanisms concerning the agricultural guideline in accordance with the conclusions of the Edinburgh European Council.

The institutions agree that all expenditure under headings 2 and 3 of the financial perspective is non-compulsory expenditure.

They agree to set up a procedure for interinstitutional collaboration in the budgetary sector. The details of this collaboration are set out in Annex II which forms an integral part of this Agreement.

17. The two arms of the budgetary authority agree to accept for each of the financial years from 1993 to 1999, the maximum rates of increase for non-compulsory expenditure deriving from the budgets established within the ceilings set by the financial perspective.

18. The Commission will present each year, within the limits of the financial perspective, a preliminary draft budget based on the Community's actual financing requirements.

It will take into account:

- the capacity for utilizing appropriations, endeavouring to maintain a strict relationship between appropriations for commitments and appropriations for payments,
- the possibilities for starting up new policies or continuing multiannual operations which are coming to an end, after assessing whether it will be possible to secure a proper legal basis.

19. For the purposes of sound financial management, the European Parliament, the Council and the Commission will, without prejudice to paragraph 21, ensure as far as possible during the budgetary procedure and at the time of the budget's adoption that margins are left available beneath the ceilings for the various headings so that, if necessary, additional appropriations can be entered in the course of the financial year without the financial perspective having first to be revised.

20. The Commission will specify in its quarterly reports on budget implementation the budget items where underutilization is foreseeable.

21. Within the maximum rates of increase for non-compulsory expenditure specified in paragraph 17, the European Parliament and the Council undertake to respect the allocations of commitment appropriations provided in the financial perspective for the Structural Funds and the Cohesion Fund.

They also undertake to bear in mind the assessment of the possibilities for executing the budget made by the Commission in its preliminary drafts.

22. The institutions agree to treat food aid expenditure in accordance with the rules laid down in Annex III which forms an integral part of this Agreement.

23. The institutions will, as far as possible, avoid entering items in the budget carrying insignificant amounts of expenditure on operations.

#### IV. FINAL PROVISIONS

24. This Agreement will apply for the entire duration of the 1993 to 1999 financial perspective.

During this period, should the Community be enlarged to include new Member States, the institutions, acting on a proposal from the Commission, will adjust the financial perspective to take account of the new requirements and resources of the enlarged Community. If agreement is not reached on this adjustment, the European Parliament may consider that it is no longer bound by this Agreement.

At the time of the Intergovernmental Conference scheduled for 1996, the institutions will confirm or amend the provisions of this Agreement.

25. Before 1 July 1998 the Commission will present:

— a report on the application of this Agreement and on the amendments which need to be made to it in the light of experience,

— proposals for a new medium-term financial perspective.

If no new agreement is concluded, and unless this Agreement is expressly denounced by one of the parties acting by the majority referred to in the fifth subparagraph of Article 203 (9) of the Treaty, the ceilings for the last year covered by the existing financial perspective will be adjusted in accordance with paragraph 9 of this Agreement by applying to these amounts the average increase observed over the preceding period in compliance with the own resources ceiling.

Hecho en Bruselas, el veintinueve de octubre de mil novecientos noventa y tres.

Udfærdiget i Bruxelles, den niogtyvende oktober nitten hundrede og treoghalvfems.

Geschehen zu Brüssel am neunundzwanzigsten Oktober neunzehnhundertdreiundneunzig.

Egine stis Vryxélles, stis eíkosi ennéa Okto-dríoy chília enniakósia eneni-nta tria.

Done at Brussels on the twenty-ninth day of October in the year one thousand nine hundred and ninety-three.

Fait à Bruxelles, le vingt-neuf octobre mil neuf cent quatre-vingt-treize.

Fatto a Bruxelles, addì ventinove ottobre millenovecentonovantatrè.

Gedaan te Brussel, de negenentwintigste oktober negentienhonderd drieënnegentig.

Feito em Bruxelas, em vinte e nove de Outubro de mil novecentos e noventa e três.

Por el Parlamento Europeo

For Europa-Parlamentet

Für das Europäische Parlament

Gia to Eyro-paikó Koinodoýlio

For the European Parliament

Pour le Parlement européen

Per il Parlamento europeo

Voor het Europees Parlement

Pelo Parlamento Europeu

[signature]

Por el Consejo de las Comunidades Europeas

For Rådet for De Europæiske Fællesskaber

Für den Rat der Europäischen Gemeinschaften

Gia to Symdoýlio to-n Eyro-païko-n Koinoti-ton

For the Council of the European Communities

Pour le Conseil des Communautés européennes

Per il Consiglio delle Comunità europee

Voor de Raad van de Europese Gemeenschappen

Pelo Conselho das Comunidades Europeias

[signature]

Por la Comisión de las Comunidades Europeas

For Kommissionen for De Europæiske Fællesskaber

Für die Kommission der Europäischen Gemeinschaften

Gia tin Epitropi- to-n Eyro-païko-n Koinoti-ton

For the Commission of the European Communities

Pour la Commission des Communautés européennes

Per la Commissione delle Comunità europee

Voor de Commissie van de Europese Gemeenschappen

Pela Comissão das Comunidades Europeias

[signature]

## **ANNEX I FINANCIAL PERSPECTIVE**

### [Financial perspective](#)

## **ANNEX II INTERINSTITUTIONAL COLLABORATION IN THE BUDGETARY SECTOR**

A. After the technical adjustment of the financial perspective for the forthcoming financial year and prior to the Commission's decision on the preliminary draft budget, a meeting of the trialogue will be convened to discuss the possible priorities for the budget of that year, with due account being taken of the institutions' powers.

B. 1. An ad hoc conciliation procedure for compulsory expenditure is set up.

2. As regards compulsory expenditure, the Commission, in presenting its preliminary draft budget, will identify:

(a) appropriations connected with new or planned legislation; and

(b) appropriations arising from the application of legislation existing when the previous budget was adopted.

The Commission will make a careful estimate of the financial implications of the Community's obligations based on legislation. If necessary, it will update its estimates in the course of the budgetary procedure. It will supply the budgetary authority with all the duly justified reasons it may require.

3. The conciliation procedure relates to the appropriations referred to in 2 (a) and (b). The procedure will be applied at the request of the European Parliament or the Council, notably where the Council intends to depart from the preliminary draft budget. The purpose of the conciliation procedure is to secure an agreement between the two arms of the budgetary authority.

4. The procedure will begin with a trialogue meeting convened in time to allow the institutions to seek an agreement by no later than the date set by the Council for establishing its draft budget.

At this trialogue meeting, the institutions' delegations will be led by the President of the Council (Budgets), the Chairman of Parliament's Committee on Budgets and the Member of the Commission with responsibility for budgets.

5. There will be conciliation between the Council and a European Parliament delegation, with the Commission also taking part, on the results of this trialogue.

Unless decided otherwise during the trialogue, the conciliation meeting will be held at the traditional meeting between the same participants on the date set by the Council for establishing the draft budget.

6. Each arm of the budgetary authority will take whatever steps are required to ensure that the results which may be secured in the conciliation process are respected throughout the current budgetary procedure.

## **ANNEX III RULES FOR THE TREATMENT OF FOOD AID EXPENDITURE**



The institutions agree on the following reference prices for the products subject to refunds, in the calculation of the appropriations for food aid:

- common wheat                    ECU 127 per tonne,
- other cereals                    ECU 270 per tonne,
- milk powder                    ECU 1 119 per tonne,
- butteroil                    ECU 1 591 per tonne,
- category A sugar                ECU 232 per tonne.

The amount of appropriations for food aid in these products, excluding transport costs, charged to heading 4 will be obtained by multiplying the prices set as above by the quantities corresponding to the structural food aid requirements of non-member countries. The amount of appropriations for food aid charged to the EAGGF Guarantee Section will be obtained by multiplying the difference between the reference prices set as above and the foreseeable price on the Community market by the quantities used in the preceding calculation.

In accordance with the joint statement by the three institutions on the adoption of the revision of the Financial Regulation and to ensure the proper financing of food aid without having to revise the financial perspective, compliance with the ceilings for headings 1 and 4 will not prevent a transfer between the headings in Chapter B 1-33 (Refunds in connection with Community food aid) and Chapter B 7-20 (Food aid). The criteria for examining these transfers are those agreed by the European Parliament, the Council and the Commission in their statement of 12 February 1990.

## STATEMENTS

Statement on maximum amounts and the need for a legal basis

(Second subparagraph of paragraph 7)

The institutions confirm their support for the three principles listed in Chapter IV paragraphs 3 (b) and (c) of the Joint Declaration of 30 June 1982 concerning maximum amounts and the need for a legal basis and they undertake to improve application of these principles.

Statement on the redeployment of expenditure in the event of a revision of the financial perspective

(Second subparagraph of paragraph 13)

The Council and the Commission consider that, as a general rule, a revision should involve a redeployment of at least ECU 10 million or 10% of the new expenditure. The Commission will take due account of this in its proposals.

Statement on the EAGGF Guarantee Section and loan guarantees

(Fourth subparagraph of paragraph 13)

The institutions note that, if the agricultural guideline is exceeded as a result of monetary realignments under the European monetary system and if insufficient appropriations are available in the reserve referred to in paragraph 15 (a), appropriate steps to fund the EAGGF Guarantee Section will be taken by the Council.

They would also point out that the risks in connection with loan guarantees are covered by the Loan Guarantee Fund and by any amount available in the reserve referred to in paragraph 15 (b). If these facilities

do not fully cover a default, the institutions note that, in the absence of a sufficient margin under the ceiling for heading 4 and a transfer from the budgetary headings relating to cooperation with the defaulting country, the Council will adopt appropriate measures to cover the Community's debt.

Statement on the classification of expenditure on financial protocols with non-member countries

(Third subparagraph of paragraph 16)

The institutions agree that expenditure on financial protocols with non-member countries which are concluded or renewed will be considered non-compulsory.

Statement on the budgetary procedure provisions of the Treaty

(Third subparagraph of paragraph 16)

The institutions consider that the budgetary procedure provisions of the Treaty, including the arrangements relating to compulsory and non-compulsory expenditure, should be reviewed at the Intergovernmental Conference scheduled for 1996 in order to achieve interinstitutional cooperation on a partnership basis.

Statement on a possible report from the new Commission

(Paragraph 25)

The institutions note that the new Commission installed in 1995 may present a report to the budgetary authority on the application and appropriateness of this Agreement and the financial perspective.

Statement on the European Development Fund (EDF)

The Council undertakes to examine, on the basis of a report from the Commission, the detailed arrangements and possibilities for entering the 8th EDF in the budget from 1995 onwards.

The European Parliament invites the Commission to present this report by the end of 1993.

Statement on committee procedures

In view of its exclusive competence for implementation of the budget, as specified in Article 205 of the Treaty, the Commission reiterates its preferences for the advisory committee procedure in this area.

The Council and the Commission will ensure that the operating arrangements and meetings scheduled for these committees are such as to facilitate smooth and speedy implementation of the budget.

The Council recalls the undertaking it gave on 3 February 1992 in the Conciliation Committee to resume discussion on the question of committee procedures once the Treaty on European Union has come into force.

Statement on the own resources system

The institutions note that, in accordance with the conclusions of the Edinburgh European Council, the Commission has proposed a decision on own resources involving an increase in the own resources ceiling from 1995.

The institutions also note that the Commission must present a report on possible changes to the system of financing the Community before the end of the period covered by the 1993 to 1999 financial perspective.

They also state that they are prepared to take part in a conference which the European Parliament wishes to

organize in 1994 on the future development of the own resources system in anticipation of the Intergovernmental Conference scheduled for 1996.