

UK, Netherlands block 2011 EU budget

Published: 16 November 2010 | Updated: 17 November 2010

European Parliament negotiators failed to overcome opposition from the UK and the Netherlands to the 2011 budget yesterday night (15 November), calling into question funding for ambitious projects such as the EU diplomatic service and the ITER nuclear reactor.

Background

The EU budget is funded primarily from the contributions of member states. The overall budget for this year is equivalent to 1.04% of the EU's gross domestic product.

At an October EU summit, UK Prime Minister David Cameron won support from 11 member states – including Germany, France and the Netherlands – for capping the 2011 EU budget 126.5 billion euros (equivalent to a 2.91% increase).

The European Commission and the European Parliament are asking for a 6.19% increase in order to make room for additional tasks handed to the EU by the Lisbon Treaty.

On 11 November, EU finance ministers failed to reach a compromise with the European Parliament over the 2011 budget.

EU Budget Commissioner Janusz Lewandowski warned of the consequences, saying that projects such as ITER, an international project to design and build an experimental fusion reactor in France, or the European External Action Service, expected to be launched on 1 December, may become victims of the dispute.

The 2011 budget is the first to be negotiated under the Lisbon Treaty, which confers rights of co-decision to the European Parliament equal to those of member countries.

Negotiations between the European Parliament and the EU's 27 finance ministers collapsed at midnight over some countries' insistence on more austerity in the bloc's finances.

If the impasse continues, the 2011 EU budget will be maintained at this year's level and disbursed monthly in 12 equal installments. The last time this happened was in 1988.

Sources close to the negotiations told EurActiv that the impasse was caused by the intransigence of London and The Hague, which insisted on more austerity in the EU budget, in line with spending cuts introduced in most EU countries to fend off the crisis.

Similarly, the "stubborn" attitude of European Parliament President Jerzy Buzek contributed to the failure of the talks, despite the conciliatory approach taken by the chair of the EU assembly's budget committee. French European People's Party (EPP) MEP Alain Lamassoure.

Main stumbling block

A consensus seemed to have emerged on increasing the 2011 budget by 2.91%, a figure supported by London and accepted by eleven other countries at an October EU summit (see 'Background').

But problems emerged on the issue of a so-called 'reallocation flexibility' mechanism, which allows reserve funds to be used up to a maximum of 0.03% of Gross National Income (GNI).

The mechanism, which has been in place for many years, allows for up to 0.03% of the bloc's GNI to be tapped into with the approval of EU member states voting by qualified majority.

Nevertheless, some countries insisted that any payments should be agreed by unanimity. Seen from the MEPs' perspective, London wants to make unanimous voting the rule in decisions to reallocate flexible spending.

Discussions over this issue took two hours, sources said, with the Parliament insisting that decision-making in the EU should not be more difficult under the Lisbon Treaty than under previous rules.

London asked for the issue to be addressed at an EU summit on 16-17 December, diplomats said.

Failure to agree on the reallocation flexibility endangers the financing of programmes such as ITER, an international project to design and build an experimental fusion reactor in France, a source explained.

Another payment which now appears to be in jeopardy is a commitment to pay 190 million euros to banana-producing countries following a decision to discontinue preferential import tariffs. Similarly, 300 million euros of compensation to Bulgaria for having closed down four of its nuclear reactors also hangs in the balance.

The usage of 'unspent' funds from the EU budget, such as the recent five billion euro package for clean energy and broadband Internet, would also be discontinued, according to Parliament sources.

'Political commitments'

Another issue in the discussions was the Parliament's demands for a seven-point "political commitment," including 'own resources' for the EU budget after 2013 which could be financed by a new EU tax.

But ministers rejected that demand, insisting that the issue was not in their mandate.

What next?

Should EU leaders fail to find a compromise at the December summit, a 'roll-over' of the current budget will apply.

Speaking at the meeting, EU Budget Commissioner Janusz Lewandowski warned of many problems to be expected, such as financing the External Action Service and the four financial surveillance bodies put in place to avoid new crisis situations in Europe.

Payments under the Common Agricultural Policy (CAP) would also be in jeopardy, as major payments are made in January and February for which the usual monthly installments will not suffice, he warned.

The Lisbon Treaty provides for increasing monthly instalments for specific proposes, but this would require a Commission proposal, a vote in the Council and approval by the Parliament.

The Commission now needs to propose a new draft budget. There is no official deadline for this, but the EU executive will probably do so as soon as it can. After that proposal has been tabled, the Council must adopt its position and will probably aim for an agreement at the 16-17 December summit of EU leaders.

[If you would like to react to this article, please click here.](#)

Positions

In a written statement, **EU Budget Commissioner Janusz Lewandowski** said he would now start working on a new draft budget but warned: "It is likely that the whole process will take several months."

"Therefore, from January 2011, the EU institutions will work under the system of the 'provisional twelfth'," said Lewandowski, explaining that each chapter of the budget would be funded monthly up to a maximum of one twelfth of its appropriations in 2010.

"The EU budget is not for Brussels. It is for European citizens, businesses, researchers, students, rural communities, towns, cities and regions across the Union," the commissioner said.

"This will delay the financing of important initiatives and investments in the member states: some 90% of the EU budget finances investments which create growth and jobs. Measures to boost economic growth and research and development in our member states will be delayed."

"This is highly regrettable; we will immediately start working on a new draft budget with the view of having the Council and the Parliament reach a compromise on it in the shortest possible span of time."

Commenting on the collapse of the talks, **European Parliament President Jerzy Buzek** said:

"We wanted a deal, but I regret that a few member states closed the door to the 2011 budget agreement. The European Parliament presented a very moderate position and, in the end, we did not ask for one euro more than what the Council was proposing. We were ready to accept a 2.91% increase only, for the 2011 budget."

"I warned the Council several times not to throw the baby out with the bathwater. Unfortunately for European citizens, they have just done that."

Buzek added that, as a former prime minister, he was "fully aware of what austerity means. The EU budget is not part of the problem, it is part of the solution. It is a tool to strengthen our response to the crisis. The EU budget cannot and should not be compared with national budgets: the EU cannot run a deficit. The EU budget is an investment vehicle".

Buzek said the Parliament's only condition was "to have a serious agreement on rules and procedures implementing the Lisbon Treaty to avoid future budgetary crises," but added that the Council "was not ready for an agreement".

"We wanted an open debate on new own resources for the EU as proposed by the European Commission last month without prejudging the kind of income sources these might be. We

wanted to make clear that taxpayers' money is used for those priorities which provide the biggest volume of European added-value."

"We did not ask to change the Treaty. We want to implement it."

The Parliament president warned that member states should now "be conscious of the consequences of their decision". "They should be conscious of the costs of non-Europe in the very complicated situation they have put the EU in."

Guy Verhofstadt, leader of the **Alliance of Liberals and Democrats for Europe (ALDE) group**, stated:

"It is very unfortunate to see that although we tried to find an agreement on the figures, the Council refused even to talk about own resources. The only thing we asked was that in the future own resources should be a more important part of the budget. This isn't about extra taxes. This is about lowering national contributions and replacing them by direct contributions. This is no revolutionary idea."

"In the first decades after 1957 the whole European budget was based on own resources. Reintroducing this system would end the current fight about national contributions and rebates between net payers and net receivers. The fact that the Council doesn't even want to think about it proves its aversion to everything which is Community-based. This is a huge disappointment."

"The other demands of the European Parliament weren't that unbridgeable either. For example, we asked to clarify the so-called flexibility of the 0.03% of the budget. Until the Lisbon Treaty this four billion euro could be spent by the Council however it wanted. Parliament asked to clarify beforehand what this amount could be spent on."

"Although the Lisbon Treaty says a QMV-decision is needed from Parliament and Council, the negotiators of the Council decided to use unanimity, thus giving every budget minister in Europe a veto right. This is not a proper way of working, but even more, it is against the Treaty."

"In this situation further negotiations with this group are not very useful. I hope the European Council and the Ecofin are more forward-looking and responsible to find an agreement in the weeks to come."

Greens/European Free Alliance group budgetary spokesperson **Helga Trüpel MEP (Germany)** stated:

"The negotiations on next year's EU budget are at a dead-end due to the dogged intransigence of a handful of member state governments and we cannot continue banging our heads against a brick wall. The European Parliament (EP) has gone far more than halfway to meet the demands of the Council but, regrettably, the Council has offered no flexibility."

"Money is not the problem: the EP had been and remains willing to agree to the reductions in the EU's 2011 budget demanded by Council in exchange for guarantees on the role of the EP in future budgetary discussions. Unfortunately, the blocking minority of member states seems to think it can just put its fingers in its ears and fail to implement the provisions of the Lisbon Treaty on formalising the role of the Parliament in future negotiations on the EU's financial perspectives."

"MEPs simply want a formal structure for negotiations on the EU's future multiannual budget

and an official role for the Parliament in that structure, as well as a guarantee that these discussions are not censored and that all options concerning how to finance the EU remain on the table. Clearly, the outcome should not be prejudged but the Greens believe that only by introducing a system of own resources can the EU end its destructive cyclical budgetary squabbling, as well as ultimately reducing costs for EU member states."

"The stonewalling on budgetary flexibility is also a major frustration. The current financial framework has had to be adapted several times in the recent past (Galileo, EIT, economic recovery plan), yet the Council refuses to agree on workable arrangements for readjusting the framework more effectively. It cannot be the case that extra funding needs for the ITER nuclear fusion project for 2012/2013 are realised to the detriment of other priorities agreed in the EU 2020 strategy, notably the R&D framework programme."

"The Commission now needs to propose a new draft budget. There is no deadline for this, but the Commission will probably do this as soon as it can. After this proposal, the Council must adopt its position within one month and after that, MEPs have 42 days to react. These are the maximum limits - the institutions could of course adopt their positions much faster, aiming at an agreement in December. It should be noted in this context that the European Council has included the EU budget on the agenda for its 16-17 December summit," Trüpel concluded.

French MEP Alain Lamassoure (European People's Party), chair of the Parliament's budget committee, stressed that the EU assembly had agreed on austerity measures demanded by London and The Hague.

But he added that "the seriousness of the budgetary crisis in all of Europe necessitates an in-depth reflection on the future financing of policies on which all EU countries have agreed," noting that the Lisbon Treaty has created "new powers and new responsibilities for the EU".

"All member states are now massively cutting public expenditure. Joining certain expenses, e.g. between certain states, or within the euro zone or between all 27, would lead to considerable economies of scale," Lamassoure said.

"A reform of the system of own resources for the EU budget has become inevitable with the wide-spread budgetary crisis in Europe," Lamassoure added, criticising some budget ministers for their short-sighted thinking.

"The failure to agree on the 2011 EU budget is very bad news for all the European Union," said **Polish EPP MEP Sidonia Jędrzejewska**, the European Parliament's general rapporteur on the 2011 EU budget.

"Unfortunately, several member states do not want to discuss the implementation of the Treaty of Lisbon. There is a growing discrepancy between what the member states expect the EU to do and the willingness of the member states to finance those new tasks," said Jędrzejewska.

"It's a pity that an agreement hasn't been reached after so many efforts and with the Parliament accepting the 2.91% figure for which a number of EU countries have been insisting," **MEP Ivailo Kalfin (Socialists & Democrats; Bulgaria)** told EurActiv.

Kalfin, who is vice-chair of the Parliament's budget committee, said the EU assembly had been "very united" in the conciliation procedure talks.

"It is extremely regrettable that some countries sacrificed European values for the sake of

their internal agenda. Parliament did not use a tactic of exaggerating its demands. In spite of the substantial cuts in EU expenditure, it is regrettable that the Council now rejects the financing of certain policies previously decided by the member states," he said.

"In the absence of a compromise, what is at risk is the financing of programmes such as ITER, the assistance to ACP countries, the new European institutions and bodies including the European External Action Service, and also financial assistance for the closure of reactors at the Kozloduy nuclear power plant [in Bulgaria]," Kalfin said.

Next Steps

- **Dec. 16-17:** EU summit to discuss budget as agenda item.

Links

Press articles

- Dnevnik, EurActiv's partner in Bulgaria: [Преговорите за евробюджета отново се провалиха](#)
- EurActiv Serbia: [Propali pregovori o budžetu EU](#)
- EurActiv Czech Republic: [Nizozemsko a Británie zablokovaly rozpočet EU](#)
- EurActiv France: [L'UE dans l'impasse budgétaire](#)
- EurActiv Poland: [Komisarz Lewandowski widzi w prowizorium budżetowym problem dla rolnictwa](#)
- EurActiv Romania: [UE - fara buget](#)
- EurActiv Slovakia: [Británia a Holandsko zablokovali rozpočet](#)
- EurActiv Spain: [Reino Unido y Países Bajos bloquean el presupuesto de 2011 de la UE](#)
- EurActiv Turkey: [AB'de yeni kriz! 2011 bütçesini İngiltere ve Hollanda bloke etti](#)