Mid-term review of the 2007-2013 financial framework

2008/2055(INI) - 24/02/2009

The Committee on Budgets adopted the report drawn up by Reimer BÖGE (EPP-ED, DE) on the Mid-Term Review of the 2007-2013 Financial Framework, noting that the current context and a number of uncertainties linked to the ratification process of the Treaty of Lisbon on the one hand, and, on the other, the end of the current parliamentary term, the outcome of the European elections and the setting-up of the new Commission in the current economic context, will not allow for detailed positions to be taken aimed at reviewing the budget in the coming months. The committee stresses, though, that an **ambitious review of the budget** should be an urgent priority for the new Parliament and Commission.

In this context, MEPs are of the opinion that a realistic mid-term review should develop in three steps:

1. resolving deficits and leftovers in the context of the annual budgetary procedures, if possible through more flexibility and, if necessary, using **part of the margin left below the own resources ceiling**;
2. preparation of a possible **adjustment and prolongation of the current multiannual financial framework (MFF) until 2015/2016** in order to allow for a smooth transition for a system of an MFF of five years' duration which gives to each Parliament and each Commission, during each of their respective terms of office, the political responsibility for each MFF; moreover, possible adjustments and prolongation of the current programmes as provided for by legislation (2010-2011) in line with the possible prolongation of the MFF;
3. **preparation of the next MFF starting in 2016/2017** (this phase will be the responsibility of the Parliament elected in 2014).

Overall, MEPs consider that the general framework established by the Interinstitutional Agreement on Budgetary Discipline (IIA of 17 May 2006) remains valid. However, there is still space for improvement such as fulfilling the Statement of Assurance (DAS), simplification of rules and improvement of the use of funds.

MEPs are aware that, since the final agreement on the IIA was reached, a need for additional financing for EU political priorities has arisen (Galileo, the European Institute of Innovation and Technology (EIT) and the food facility). MEPs also note that the Council itself has been unable to implement the European Council’s agreement seeking to allocate EUR 5 billion from the EU budget to the economic recovery and support programme. It was therefore essential to adapt the financial framework in light of the additional needs.

(1) General principles: MEPs recall that:

- the own-resources ceiling represents 1.31% of EU GNI in commitments and 1.24% of EU GNI in payments;
- every year significant margins are left below the ceiling set up by the financial framework, notably in payments (EUR 8.3 billion in 2007, EUR 13 billion in 2008 and EUR 7.8 billion in 2009);
- huge margins exist between the MFF ceiling and the ceiling of the EU own resources (EUR 36.6 billion in 2010, EUR 44.2 billion in 2011, EUR 45 billion in 2012 and EUR 50.6 billion in 2013).

In the light of these observations, MEPs confirm their position of March 2007 in which they stressed that "the political link between the reform of revenue and a review of expenditure is inevitable and perfectly

reasonable". The two processes should be run in parallel with the aim of merging them in a **global and integrated reform for a new system of EU financing and spending** at the latest for the MFF starting in 2016/2017. MEPs therefore call for consideration of a system whereby benefits and burdens between the Member States come to a generally more adequate level.

- **EU resources must not be affected by the current world economic crisis**: MEPs believe that the general magnitude of EU resources must not be affected by the current world economic crisis, even if the Member States' GNI will cease to follow an ever increasing curve. EU spending should therefore concentrate on policies with a clear European added value, based on solidarity between European peoples. MEPs also stress that sound financial management (by the Member States and the Commission) matching political priorities and financial needs should remain a priority for the coming years.
- **Optimising spending**: according to MEPs, it is essential that EU spending be re-evaluated and optimised in order to achieve the highest value added and most effective EU action. More flexibility within and across budgetary headings is therefore an absolute necessity, not only to face the new challenges of the EU but also to facilitate the decision-making process within the Institutions. MEPs criticise the irrational behaviour of the Council which repeatedly opposes the use of the possibility to revise the financial framework in the event of unforeseen circumstances, as clearly provided for in the IIA.
- **Better implementation of the budget**: MEPs reiterate their will to see a concrete and rapid improvement of the Member States' and the Commission's implementation of EU policies and of the cohesion policy in particular. They are ready to take political and administrative measures, should the current situation remain unchanged and suggest that simplification of procedures should be a priority.
- **Reform of the financing system**: MEPs regret the slow progress of the debate on reforming the EU budget financing system, which has become even more urgent as a result of the economic crisis. They regret, in particular, that the opportunity of establishing a system for auctioning greenhouse gas emission rights was not seized so as to **launch a fundamental political debate on allocation of the new public resources created by EU decisions**.

(2) Specific observations: MEPs are determined to find appropriate financing for the new or additional policies which might follow from the possible entry into force of the Treaty of Lisbon (such as energy and space policies, research under heading 1a; judicial cooperation under heading 3a; youth, sport, information and communication policy, public health under heading 3b; humanitarian aid, European External Action Service under heading 4). Once again, MEPs recall that headings 1a, 3 and 4 are already under-financed in the current MFF. In this context, additional policies should not change the balance between the main categories of the current MFF nor jeopardise the existing priorities.

- **Providing the means to fulfil ambitions**: MEPs believe that providing the Union with the means to fulfil its political ambition (in the areas of energy security and the fight against climate change) should be part of a short-term review. They are therefore ready to examine the **possibility of the creation of a specific fund for that purpose**. In the long-term, MEPs call for the creation of a new category bundling all budget-relevant policies in the fight against climate change.
- **3% of EU GNI by the year 2010**: other innovations have been proposed, such as pursuing the target of an increase of Research and Innovation expenditure to 3% of EU GNI by the year 2010. With regard to the under-financing of heading 4, MEPs call for proposals for: financing to help reach the Millennium Development Goals (MDGs); commitments resulting from an international climate change agreement; preventing conflicts and promoting human rights and fundamental freedoms; a credible neighbourhood policy; and CFSP/ESDP, in order to avoid recurrent and endless negotiations with the Council during the annual budgetary procedures. Lastly, MEPs reiterate their will to integrate the European Development Fund into the general budget.