Mid-term review of the 2007-2013 financial framework

2008/2055(INI) - 25/03/2009 - Text adopted by Parliament, single reading

The European Parliament adopted by 604 votes to 48, with 40 abstentions, a resolution on the Mid-Term Review of the 2007-2013 Financial Framework.

In its resolution, the European Parliament notes that it has intensively contributed to the setting-up of the 2007-2013 Multiannual Financial Framework (MFF) and the Interinstitutional Agreement (IIA) of 17 May 2006 on budgetary discipline and sound financial management while, in parallel, allowing the continuity of Community legislation through the launching of a huge number of multiannual programmes. In this context, the Parliament believes that most of the recommendations of the Parliament's report are still valid because they were based on a bottom-up approach that linked tasks and promises with the necessary budgetary means. That is why the plenary is of the opinion that some broad principles and orientations based on past experience should be transmitted to the incoming Parliament (June 2009).

Moreover, the Parliament considers 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, will not permit detailed positions aiming at an ambitious reviewto be taken in the coming months. It stresses, though, that an **ambitious review of the budget** should be an urgent priority for the new Parliament and Commission.

In this context, the Parliament is 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).

The Parliament is 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). It recalls 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: the Parliament recalls that:

- the own-resources ceiling represents 1.31% of EU GNI in commitments and 1.24% of EU GNI in payments;
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- 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, the Parliament confirms its position of March 2007 in which it 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. The Parliament therefore calls 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**: the Parliament believes 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. It also stresses 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 the Parliament, 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. The Parliament criticises 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**: the Parliament reiterates its 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. It is ready to take political and administrative measures, should the current situation remain unchanged and suggests that simplification of procedures should be a priority;
- **Reform of the financing system**: the Parliament regrets 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. It regrets, 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: the Parliament is 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, it recalls 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. It also stresses that, should some Member States continue to insist on a "1% approach", there will be no budgetary way to finance new priorities which should not be acceptable for the Council and **not at all acceptable for Parliament**.

- **Providing the means to fulfil ambitions**: the Parliament believes 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. It is therefore ready to examine the **possibility of the creation of a specific fund for that purpose**. In the long-term, the Parliament calls for the creation of a new category bundling all budget-relevant policies in the fight against climate change.

According to the plenary, the current context of economic slowdown should not be used as a pretext to delay investments in green technologies;

- 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;

Resolving the problem of the under-financing of certain headings: the Parliament recalls that heading 4 "The EU as a global partner" remains chronically under-financed. It calls on the Commission to make proposals for: financing with a long-term perspective to help reach the Millennium Development Goals; commitments resulting from an international climate change agreement independent of development aid; preventing conflicts and promoting human rights and fundamental freedoms; a credible neighbourhood policy; and for CFSP/ESDP (subject to adequate discharge procedures), in order to avoid recurrent and endless negotiations with the Council during the annual budgetary procedures. The plenary highlights that new needs should be financed with additional resources.