2016 budget: mandate for the trilogue

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The Committee on Budgets adopted the report by José Manuel FERNANDES (EPP, PT) on the mandate for the trilogue on the 2016 draft budget.

Draft Budget 2016: respecting the commitments and financing priorities: Members recalled that, in its resolution of 11 March 2015, Parliament placed the creation of decent and quality employment and the development of enterprises and entrepreneurship for smart, sustainable and inclusive growth across the Union (the ‘three Es'), together with internal and external solidarity within a secure Europe, at the centre of its priorities for the 2016 budget. They recalled that the Multiannual Financial Framework (MFF) 2014-2020 set ceilings for all headings but also provided for specific and maximum possible flexibility to allow the Union to fulfil its legal obligations, and for special instruments to allow the Union to react to specified unforeseen circumstances or to finance clearly identified expenditure over and above the ceilings.

Whilst welcoming the inclusion of the European Fund for Strategic Investment (EFSI) in the Draft Budget for 2016 and, in particular, the mobilisation of the Global Margin for Commitments to cover part of the expenditure, Members recalled, however, that the decision on the annual appropriations to be authorised for the constitution of the EFSI guarantee fund will only be taken by the budgetary authority, in the course of the annual budgetary procedure. Parliament is called upon to commit, in this framework, to further offsetting the cuts affecting Horizon 2020 and the CEF, which still remain significant, in order to allow those programmes to fully accomplish the objectives.

Members intend also to closely examine whether those cuts should be concentrated in the years 2016-2018, as proposed by the Commission, or further spread over the years 2019-2020, as a means of minimising the impact on those programmes.

Cut in commitment appropriations: regretting the nominal cuts that the **COSME programmes** is undergoing, Members also reiterated concerns about the funding of the **Youth Employment Initiative** (YEI) as a key tool for the fight against youth unemployment in the Union. They recalled that the MFF has provided for a global margin for commitments to be made available over and above the ceilings as of 2016 for policy objectives related to growth and employment, in particular youth employment. Consequently, the Regulation on the European Social Fund (ESF) has provided that the resources for the YEI may be revised upwards for the years 2016 to 2020 in the framework of the budgetary procedure. Thanks to a timely agreement on the reprogramming of commitments under shared management within the MFF 2014-2020 by reason of the late adoption of the relevant rules and programmes, the Commission has included in its Draft Budget 2016 (Headings 2 and 3) EUR 4.5 billion in commitment appropriations which could not be used in 2014. Amending budget 1/2015 has already allowed for a transfer of EUR 16.5 billion from 2014 to 2015 under Headings 1b, 2 and 3.

Draft Budget 2016: Members noted that the EU Draft Budget for 2016 amounts to EUR 153.5 billion in commitment appropriations (including EUR 4.5 billion reprogrammed from 2014) and EUR 143.5 billion in payment appropriations. Disregarding the effect of the reprogramming in 2015 and 2016, this corresponds to an increase of +2.4 % in commitments and +1.6 % in payments as compared to the 2015 budget (these overall moderate increases represent almost no increase in real terms, which emphasises the importance of the efficiency and effectiveness of the spending).

Members welcomed in principle the proposed use of the Flexibility Instrument for clearly identified expenditure, as part of new EU initiatives in the areas of asylum and migration which cannot be financed within the limits of Heading 3. They intend to make use of part of the remaining margins and of the relevant flexibility provisions provided by the MFF to reinforce crucial priorities.

Payments: restoring trust: once again, Members recalled that payment shortages, largely due to insufficient payment ceilings and under-budgeting, reached unprecedented heights in 2014 and remain acute in 2015 They fear that this will continue to jeopardise the proper implementation of the new 2014-2020 MFF programmes, and to penalise the beneficiaries. They also reiterated their concern over the *ad hoc* cuts in payments introduced by the Council in its reading of the annual budgets, including in programmes for competitiveness for growth and jobs under heading 1a.

Members also noted that according to the Commission's estimates, the payment appropriations requested in the Draft Budget would **bring the backlog of unpaid bills down to a sustainable level of approximately EUR 2 billion**. They undertake, consequently, to fully support the Commission proposal, and expects the Council to respect its commitments in this regard.

Members underlined that Parliament, the Council and the Commission have committed to **avoiding the future build-up of an unsustainable backlog of outstanding payment claims** at year's end. They reminded the Commission of its commitment, in the joint statement on a payment plan, to develop its medium- and long-term forecasting tools and to set up an early warning system, with the aim of presenting these first payment forecasts in July, so that the budgetary authority can take duly informed decisions in the future.

Subheading 1a – Competitiveness for growth and jobs: Members noted that in comparison with 2015, the Commission proposal for 2016 corresponds to an increase in commitments under subheading 1a of +6. 1 % to EUR 18.6 billion. The increase in commitments is largely due to the integration of EFSI, to increases for Erasmus+ and the Connecting Europe Facility (CEF), and, to a lesser extent, to increases for Customs, Fiscalis and Anti-Fraud as well as Employment and Social Innovation.

Members reiterated support for the ITER programme and urged its Joint Undertaking for the European Union – Fusion for Energy to submit without any delay the requested reports concerning their 2013 discharge.

They stressed that past under-budgeting of payment appropriations has widened the gap between commitments and payments in several programmes under Heading 1a, thereby contributing to the sharp increase in the RALs as compared to the other headings.

Subheading 1b – Economic, social and territorial cohesion: Members took note of the proposed EUR 50.8 billion in commitments (+3.2 % compared to 2015, with the impact of the reprogramming neutralised) and EUR 49.1 billion in payments (-4 %) for subheading 1b, leaving a small margin of EUR 15.3 million under the ceiling for commitments. They highlighted the fact that 44% of the proposed 2016 payment appropriations cover outstanding payment claims for previous programming periods, leaving only EUR 26.8 billion in payments for the start-up of the new 2014-2020 cohesion programmes. They recalled that an amount of EUR 21.6 billion is needed in the 2016 budget to bring down the level of outstanding payment claims for the 2007-2013 cohesion programmes from EUR 24.7 billion at the end of 2014 and EUR 20 billion at the end of 2015 to around EUR 2 billion by the end of 2016.

Heading 2 – Sustainable growth: natural resources: Members took note of the proposed EUR 63.1 billion in commitments (-0.1 % compared to 2015, with the impact of the reprogramming neutralised) and EUR 55.9 billion in payments (-0.2 %) for Heading 2. They stressed that the 2016 Draft Budget shows a decrease in needs for interventions in the agricultural markets compared with the 2015 budget, mainly

owing to the impact in 2015 of emergency measures related to the Russian embargo on imports of certain agricultural products from the EU. They welcomed the increased appropriations provided for the LIFE Programme for the Environment and Climate Change.

Heading 3 – Security and Citizenship: Members welcomed the fact that the Draft Budget 2016 steps up its support across all programmes in Heading 3, reaching EUR 2.5 billion in commitment appropriations (+12.6 % compared with the 2015 budget with the reprogramming neutralised) and EUR 2.3 billion in payment appropriations (+9.7 %). They pointed out that this does not leave any margin for further reinforcements or pilot projects and preparatory actions under Heading 3. They are of the opinion that, in the current geopolitical situation, notably owing to the **increasing pressure of migration flows**, the level of the ceilings set for what is by far the **smallest heading of the MFF** might be outdated and should be addressed in the context of the post-electoral MFF revision.

They stated that the budgetary impact and the additional tasks of the measures presented as part of the EU Agenda on Migration and the EU Agenda on Security with regard to Europol should be assessed in detail by the Commission, in order to allow the budgetary authority to properly adjust the agency's budgetary and staff needs. They recalled the strong support consistently given by Parliament to **adequate funding for culture and media programmes**.

Heading 4 – Global Europe: Members welcomed the overall increased financing for Heading 4, reaching EUR 8.9 billion in commitment appropriations (+5.6 % compared with the 2015 budget), while leaving a margin of EUR 261.3 million below the ceiling. This demonstrates a high level of solidarity with third countries. They stated, however, that further reinforcements of certain priority areas, such as the European Neighbourhood Instrument, including the assistance for the Middle East Peace Process, Palestine and to UNRWA, will most probably be required owing to the ongoing humanitarian and political crisis in the neighbourhood area and beyond.

They called on the Commission and the EEAS to ensure that a joined-up approach is applied in strategic countries benefiting from a relatively large amount of funding from multiple EU sources, such as **Ukraine and Tunisia**.

Heading 5 – Administration: Members noted that Heading 5 expenditure is increased by 2.9 % compared with Budget 2015, to EUR 8 908.7 million, that figure accounting globally for the administrative expenditure of the institutions (+2.2 %) and for Pensions and European Schools (+5.4 %).

Special instruments: Members reaffirmed that special instruments are crucial to full respect for and implementation of the MFF, and should, by their very nature, **be counted over and above the ceilings** both in commitments and payments.

A test budget: lastly, in general, Members called for a sustained effort to be made through the budget to provide for appropriate training and reskilling in sectors with labour shortages and in key sectors with high job-creation potential, such as the green economy, the circular economy, and the healthcare and ICT sectors. The 2016 budget should provide adequate support for the promotion of social inclusion and for actions aimed at eradicating poverty and empowering people experiencing poverty and social exclusion.

Members recalled that, with programmes expected to reach full swing, with the integration of new major initiatives in the areas of investment and migration, with the opportunity to settle issues of the past such as payments and special instruments, and with the first activation of new MFF provisions such as the global margin for commitments, **the 2016 budgetary procedure will be a test case for the Council's approach to the payment plan**, as well as for the assessment of the current MFF.