2016 general budget: all sections

2015/2132(BUD) - 24/06/2015 - Commission draft budget

PURPOSE: presentation of the Commission Draft Budget (DB) for 2016 (all section).

BACKGROUND: the draft budget (DB) 2016 is the first EU budget prepared in light of the political guidelines established by Commission President Juncker providing a new start for Europe based on his agenda for Jobs, Growth, Fairness and Democratic change.

The key priority for the 2016 DB is to provide a **new boost for jobs, growth and investment**. In particular, through the proposed creation of the European Fund for Strategic Investments (EFSI), the Commission proposes to maximize the use of the EU budget in order to respond to the slower pace of investments.

The EU budget is targeted to the promotion of fairness, positioning the Union as a stronger global actor and moving towards a **new policy on migration**.

The 2016 DB aims to provide solidarity between Member States and regions through the European Structural and Investment Funds, and help young people to be trained and find jobs using the **Youth Employment Initiative**. Moreover, the 2016 DB intends to respond to new developments in Europe's neighbourhood (e.g. Ukraine in the East and Syria in the Mediterranean) and the wider world, facing growing migratory pressures in the Southern Mediterranean.

Sound administrative management is maintained in the 2016 DB: the Commission will continue exercising administrative restraint, for instance by reducing its own staff numbers by 1 % for the fourth year in a row. What is new in the 2016 DB is that **EU funded policies and actions can finally be fully implemented on the ground** once the new legal bases are in place and operational programmes are adopted. Moreover, in 2016 the Commission expects to **deal with the backlog of unpaid bills from the past programming period** and to be able to make all payments due in the year.

CONTENT: the 2016 draft budget proposed by the Juncker Commission reflects its 10 political priorities defined when it took office. These priorities are pursued within broadly stable annual ceilings under the 2014-2020 MFF and with a renewed emphasis on results to maximise the outcome of the use of scarce resources.

The budget in figures: the 2016 DB is presented as follows:

- in terms of **commitment appropriations**, the total expenditure in the draft budget (DB) 2016 (including the special instruments) is **EUR 153 529.5 million**, corresponding to 1.04% of GNI, that is EUR – 8 413.3 million below the total expenditure in 2015 (– 5.2%);
- the payment appropriations (including the special instruments) amount to **EUR 143 541.5 million**, corresponding to 0.98% of GNI. This represents a moderate increase of 1.6% over the level of payment appropriations in the 2015 budget.

Overall, the proposed level of expenditure for 2016 reflects the expenditure ceilings under the multiannual financial framework, while the amounts for the individual programmes broadly reflect the financial programming for 2016.

However, three major new elements in the draft budget concern: the proposed creation of the **European Fund for Strategic Investments (EFSI)** under heading 1a. In addition to redeployment from existing EU

funding, the Commission proposes to complete its financing for 2016 by making use of the Global Margin for Commitments, for an amount of EUR 351.4 million; (ii) the proposed mobilisation of the Flexibility Instrument to provide additional funding under heading 3 for temporary measures in the area of asylum in Italy and Greece (EUR 150 million); (iii) the proposed reinforcement of operational programmes and decentralised agencies under heading 3 amounting to EUR 123.2 million in commitment appropriations to respond to migratory pressures in 2016.

The main budgetary priorities of 2016:

- **boosting jobs, growth and investments**: continued emphasis on innovation and investment is necessary to create more jobs for Europeans and strengthen growth potential. The European Fund for Strategic Investments (EFSI) will support strategic investments of European significance in infrastructure, notably broadband and energy networks, as well as transport infrastructure, particularly in industrial centres; education, research and innovation; and renewable energy and energy efficiency;

- **responding to new developments**: the 2016 draft budget responds also to the most immediate developments, including crises in neighbourhood countries such as Ukraine and Syria and the related impact on migration, humanitarian aid, security, and the need to make progress towards a new Energy Union with a forward-looking climate change policy as stated in the policy priorities of the new Commission. As regards migration, the draft budget provides additional funding for temporary measures in the area of asylum in Italy and Greece (EUR 150 million) through the proposed mobilisation of the Flexibility Instrument, to help relieve the immediate and exceptional pressure on their asylum and migration systems establishing for a duration of 24 months a temporary relocation mechanism of applicants who are in clear need of international protection from Italy and Greece to the other Member States;

- **addressing payment needs**: implementation of EU policies was hampered by severe constraints in the level of authorised payment appropriations, leading to recurrent amending budgets to cover part of the outstanding needs. The fall in the 2014 payment ceiling led the Commission to propose the mobilisation of the Contingency Margin for payments, which was eventually agreed by Council and Parliament. Despite such a corrective measure, **the backlog of outstanding payment claims for the Cohesion policy (heading 1b) reached an unprecedented peak of EUR 24.7 billion** at the end of 2014. In order to face this challenge, measures were put in place to ensure an active management of the scarce payment appropriations. The increasing payment ceiling in 2016 (+ 1.9% compared to 2015), combined with the effect of the later than originally planned take off of new programmes under shared management with Member States, creates the necessary room for the payment appropriations which are estimated to be required to phase out the abnormal backlog of outstanding payment claims. As a net result, the level of payment appropriations estimated in the 2016 draft budget (EUR 143.2 billion) represents a moderate increase (+ 1.6%) over the 2015 budget.

- **showing administrative restraint**: for the fourth consecutive year, the Commission will reduce by 1% its staff levels in 2016, in order to meet the 5% staff reduction over five years which applies to all EU institutions and bodies. It will further reduce its staff level in accordance with the delegation of certain implementing tasks to executive agencies.

KEY BUDGETARY ASPECTS OF THE HEADINGS: the analysis is structured under the 2014-2020 financial framework headings:

Heading 1: *Smart and inclusive growth*: this heading is broken down into 2 sub-headings:

- **Heading 1a:** ***Competitiveness for growth and jobs***: commitment appropriations for this heading are set at EUR 18 618.4 million. This is an increase of 6.1% compared to the 2015 budget, which is mostly due to the European Fund for Strategic Investments (EFSI), the Connecting Europe Facility (CEF) and Erasmus+. This leaves a margin of EUR 200 million, after making use of the Global Margin for Commitments for an amount of EUR 351.4 million in 2016. Payment appropriations increase by 11.4% to EUR 17 518.1 million, in order to address the growing level of outstanding commitments and to ensure the implementation of the new programmes;

- **Heading 1b:** ***Economic, social and territorial cohesion***: commitment appropriations decrease by – 15.9% to EUR 50 821.7 million, leaving a margin of EUR 15.3 million. Payment appropriations for the heading as a whole decrease by – 4% compared to the 2015 budget, to EUR 49 060.1 million. This reflects the gradual phasing out of payment needs for 2007-2013 programmes, while the 2014-2020 programmes are on their way to progressively reach cruising speed.

Heading 2: ***Sustainable growth: natural resources***: commitment appropriations of EUR 63 104.4 million are proposed for heading 2. This level of expenditure represents a slight reduction compared to the 2015 budget (– 1.2%) and leaves a margin of EUR 1 157.6 million under the ceiling. Payment appropriations amount to EUR 55 865.9 million, with a decrease of – 0.2% compared to 2015. The funding for market related expenditure and direct payments reaches EUR 42 867.6 million in commitment appropriations, and EUR 42 859.3 million in payment appropriations. A margin under the sub-ceiling for market measures and direct payments amounting to EUR 1 081.7 million is left. Payment appropriations for rural development increase by 6.3% compared to the 2015 budget;

Heading 3: ***Security and citizenship***: this heading sees an increase in commitment appropriations of 9.7% to EUR 2.67 million, leaving a margin of EUR – 124 million. This is due to the proposed mobilisation of the Flexibility Instrument to provide additional funding for temporary measures in the area of asylum in Italy and Greece (EUR 150 million). Payment appropriations increase by 17.1% to EUR 2 259 million, which is due to the payment appropriations related to the reinforced migration measures, as well as to the growing payment needs of the Asylum, Migration and Integration Fund and the Internal Security Fund in general.

Heading 4: ***Global Europe***: this heading sees an increase in commitment appropriations of 5.6% to EUR 8 881.7 million, leaving an unallocated margin of EUR 261.3 million available under the ceiling. Payment appropriations increase by 28.5% to EUR 9 539.2 million, mostly to take account of the rapidly growing level of outstanding commitments under this heading.

Heading 5: ***Administration (expenditure for all institutions and staff)***: commitment and payment appropriations for Administration (heading 5) for all institutions combined including pensions and European schools increase by 2.9%, with commitments set at EUR 8 909 million. Administrative expenditure of all institutions (+ 2.2%) is above the forecast inflation in Brussels (+ 1.3%) and Luxembourg (+ 1.9%) and reflects additional security expenditure in the European Parliament, increased EEAS expenditure in delegations in third countries because of a deteriorating exchange rate and the opening of two new delegations, the budgetary impact of the foreseen reform of the Court of Justice and additional administrative expenditure related to Commission staff relocation from the JMO building in Luxembourg. The requested expenditure for the institutions leaves a margin of EUR 582.9 million under the sub-ceiling for administrative expenditure of the institutions (excluding pensions and European schools).

The 5.2% increase for pensions results from the annual adjustments for 2015 (+ 1.2%) and 2016 (+1.8% on a six month basis), combined with the expected growth (by 3.8%) in the number of staff expected to retire in 2016. Expenditure for the European schools takes into account the steep increase in the number of pupils in the European schools in Frankfurt and Luxembourg. Taking into account the estimated

expenditure for pensions and European schools, the global margin under the ceiling of heading 5 amounts to EUR 574.3 million.