2016 budget: mandate for the trilogue

2015/2074(BUD) - 08/07/2015 - Parliament's opinion on budgetary estimates/guidelines

The European Parliament adopted by 422 votes to 173 with 85 abstentions a resolution on the mandate for the trilogue on the 2016 draft budget.

Draft Budget 2016: **respecting the commitments and financing priorities**: Parliament recalled that, in its resolution of 11 March 2015, Parliament placed, at the centre of its priorities for the 2016 budget, **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. It reiterated Parliament's **attachment to respecting legal as well as political commitments and its call on the institutions to deliver on their promises.**

In this context, Parliament 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.

Welcomes the fact that the Commission's Draft General Budget of the EU for 2016 reinforces the above-mentioned priorities and proposed to step up EU support for investment, knowledge, jobs and growth-orientated programmes (such as Erasmus+); is satisfied about increases throughout Heading 3 (Security and Citizenship) and Heading 4 (Global Europe), to respond to new developments such as the crises in Ukraine, Syria and the Mediterranean. Whilst welcoming several new initiatives such as the inclusion of the European Fund for Strategic Investment (EFSI) in the Draft Budget for 2016, Parliament recalled that that the decision on the annual appropriations to be authorised for the constitution of the EFSI guarantee fund would only be taken by the budgetary authority, in the course of the annual budgetary procedure. In this framework, it undertook to further offset the cuts affecting Horizon 2020 and the CEF, which still remained significant, in order to allow those programmes to fully accomplish the objectives agreed only two years ago as a result of the negotiations on their respective legal bases. It also intended 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.

Cuts in 2015 budget priorities: regretting the **cuts to COSME**, Parliament reiterated its concerns about the funding of the **Youth Employment Initiative**, which was a top priority for all European decision-makers. It noted the frontloading of the YEI top-up allocation in 2014 and 2015, but regretted that **no new commitments were proposed in 2016**. It observed that, 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 had 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 No 1/2015 had already allowed for a transfer of EUR 16.5 billion from 2014 to 2015 under Headings 1b, 2 and 3. These were, however, pure transfers and should therefore, be deducted from any assessment of the evolution of the 2016 budget vis-à-vis the 2015 budget.

Budget 2016: Parliament noted that the EU Draft Budget for 2016 amounted 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 corresponded to an increase of +2.4 % in commitments and +1.6 % in payments as compared to the 2015 budget. Parliament stresses that these overall moderate increases followed the path set by the MFF.

It underlined that the Commission was leaving margins of EUR 2.2 billion in commitment appropriations (of which EUR 1.2 billion are in Heading 2) and EUR 1.6 billion in payment appropriations under the MFF ceilings. It recalled that available margins in commitments and payments as well as unexecuted payments fed into the global margins to be used in subsequent years when the need arose. The Global Margin for Commitments was being made available for the first time, and part of it would be used for EFSI. Parliament 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 could be financed within the limits of Heading 3.

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 remained acute in 2015.** They feared that this would 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. Parliament called on the Commission to prepare **a report regarding the impact on beneficiaries to whom the Union payments in 2013-2015 had been delayed,** as well as the impact on the implementation of programmes, by 31 March 2016 at the latest.

It underlined that Parliament, the Council and the Commission had undertaken to avoid the future build-up of an unsustainable backlog of outstanding payment claims at year's end, and reiterated the need to closely monitor the development of this backlog which put additional pressure on the level of payment appropriations, especially at the end of the MFF.

Whilst welcoming the fact that the balance within the overall payment appropriations was finally shifting to the execution of the new 2014-2020 programmes, Parliament underlined the fact that the level of payments in the Draft Budget 2016, notably for Heading 1b, was low compared to the level of commitments, which entailed the risk of a similar backlog of outstanding payments at the end of the current MFF. It questioned, therefore, to what extent this was in line with the long-term perspective of the payment plan.

Subheading 1a – Competitiveness for growth and jobs: Members noted that in comparison with 2015, the Commission proposal for 2016 corresponded to an increase in commitments under subheading 1a of +6.1 % to EUR 18.6 billion. The increase in commitments was 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. Parliament regretted, however, the reductions in appropriations for large infrastructure projects, Horizon 2020 and COSME, as well as the slower progression of CEF Transport owing to the redeployment to EFSI.

Members reiterated support for the ITER programme and **their commitment to ensuring the appropriate financing.** They were concerned, however, that the presentation of a revised schedule and financial planning for ITER foreseen for November 2015 would not allow the budgetary authority to take the new information into account in the annual budget procedure for 2016. It stressed that past under-budgeting of payment appropriations had widened the gap between commitments and payments in several programmes under Heading 1a.

Subheading 1b – Economic, social and territorial cohesion: Parliament noted the proposed EUR 50.8 billion in commitments (+3.2% compared to 2015,) and EUR 49.1 billion in payments (-4 %) for subheading 1b. It stressed the fact that 44 % of the proposed 2016 payment appropriations covered 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. An amount of EUR 21.6 billion was 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. Parliament wanted to avoid a similar ‘abnormal' build-up of **unpaid bills in the future**, in order not to jeopardise the EU’s credibility.

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. Members noted that, according to the Commission, **no further measures were needed under the 2016 budget.**

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 %).

Parliament welcomed the Commission’s European Agenda on Migration and reiterated its backing for the enhancement of the EU’s means and the development of **a culture of fair burden-sharing and solidarity in the areas of asylum, migration and the management of external borders.** It welcomed the Commission proposal to mobilise the Flexibility Instrument with EUR 124 million in order to respond to the current migration trends in the Mediterranean, but queried if the proposed funding would be sufficient.

It regretted the fact that the human resources allocated to EASO and Europol was insufficient and felt that these agencies should not suffer cuts due to their increased responsibilities.

It 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 demonstrated **a high level of solidarity with third countries**, instrumental in reaching out to people in need and in promoting fundamental European values. Parliament was satisfied that the economic and social difficulties encountered by the EU over the past years have not detracted from the attention paid to the rest of the world. It believed, however, that further reinforcements of certain priority areas, such as the European Neighbourhood Instrument, including assistance for the Middle East Peace Process, would most probably be required.

It welcomed the increase in payment appropriations requested by the Commission across all programmes under Heading 4 (+28.5 % up to EUR 9.5 billion), whereby payments exceed commitments, especially in the areas of development, humanitarian aid and EU assistance to Palestine and to UNRWA.

It expected **the gap between commitments and payments to be progressively reduced and the backlog of unpaid bills to be brought back to a normal level.**

Parliament believed that external financing instruments provided tools to address the root causes of those internal security and migration challenges which were at the core of next year's budget, with particular reference to the southern and eastern borders of the Union and more generally to conflict-stricken areas. It called on the Commission to clearly identify areas that can help in coping with those topical challenges and recalled the importance of providing assistance in reducing and eventually eradicating poverty.

Heading 5 – Administration: Members noted that Heading 5 expenditure was 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 would be a test case for the Council's approach to the payment plan**, as well as for the assessment of the current MFF.

Parliament acknowledged the current climate of consensus in budget negotiations.