

Preparation of the post-electoral revision of the MFF 2014-2020: Parliament's input ahead of the Commission's proposal

2015/2353(INI) - 30/06/2016 - Committee report tabled for plenary, single reading

The Committee on Budgets adopted the own-initiative report by Isabelle THOMAS (S&D, FR) and Jan OLBRYCHT (EPP, PL) on the preparation of the post-electoral revision of the MFF 2014-2020: Parliament's input ahead of the Commission's proposal.

Members recalled that in accordance with [the MFF Regulation](#), the Commission must present a **compulsory review of the functioning of the MFF** before the end of 2016, taking full account of the economic situation at that time as well as of the latest macroeconomic projections, and that this review must be accompanied by a legislative proposal for the revision of the MFF Regulation.

The aim of this report is to analyse the purely budgetary aspects of the functioning of the MFF and **make policy recommendations** prior to the Commission proposal to review the EU MFF for the period 2014-2020.

Assessing the first years: Members considered that a review of the MFF in 2016 should **take stock of a number of serious crises and new political initiatives**, together with their respective budgetary consequences, which were not anticipated at the time of the MFF's adoption. In this context, they recalled the main events and challenges:

- the migration and refugee crisis,
- external emergencies,
- internal security issues,
- the crisis in agriculture,
- the funding of the European Fund for Strategic Investments ([EFSI](#)),
- the payment crisis in the EU budget,
- the persistent high level of unemployment, especially among young people, as well as poverty and social exclusion;
- the recent international agreement on climate change, and
- the growing pressure on the development policy.

Recourse to the MFF's flexibility mechanisms: stressing that over the past two years, the MFF has essentially been pushed to its limits, Members observed that, in order to finance the additional pressing needs, **an unprecedented recourse to the MFF's flexibility mechanisms and special instruments was deemed necessary**, as the MFF ceilings proved to be too tight in some headings.

The special instruments were mobilised to tackle the refugee and migration crisis, the payments shortage problem, and the financing of the EFSI Guarantee Fund.

With regard to the migration crisis, the EU has had to set up ad hoc, 'satellite' instruments, jointly financed by the Member States, the EU budget and the European Development Fund, namely the EU trust funds (the Madad Trust Fund and the EU Emergency Trust Fund for Africa) and the Refugee Facility for Turkey.

The committee highlighted that the **multiplication of such instruments creates a problem of accountability and democratic control** in the EU which needs to be addressed; deplores, furthermore, the fact that Member States have failed by far to deliver their expected contributions to the trust funds, thus undermining the success of those funds. It suggested examining other possibilities regarding flexibility for emerging problems.

Parliament's demands for the second half of the MFF: Members are convinced that a genuine mid-term revision of the MFF, is absolutely **indispensable** if the Union is to effectively confront a number of challenges while fulfilling its political objectives. Delivering on the **Europe 2020 strategy** remains the main priority to be supported by the EU budget;

Commitments: while fully confirming the notion of large-scale political and financial support for EFSI, Members felt that the EU budget should not be financing new initiatives to the detriment of existing Union programmes and policies.

The report suggested:

- the same level in commitment appropriations for **Youth Employment Initiative** (YEI) until the end of the current MFF as the one allocated annually to the programme during the first two years of this period (6 billion EUR frontloaded in 2014-2015),
- that the overall budgetary allocation and pre-allocated national envelopes for the **Common Agricultural Policy**, including direct payment appropriations, remain untouched during the MFF revision;
- drawing up as soon as possible an updated projection of the budget required until the end of the current MFF, to meet all challenges in the fields relating to the **refugee and crisis** and reinforced action at EU level for **internal security** in the EU and for the fight against terrorism.

Payments: Members stressed the need to act to prevent a new payment crisis occurring towards the end of the current MFF and that every effort should be made to **avoid building up a backlog of unpaid bills** like the one that was observed during the previous period. They considered moreover, that the mid-term review /revision of the MFF provides an excellent opportunity to take stock of payment implementation and updated forecasts for the expected evolution of payments up to the end of the current MFF. **A joint payment plan** for 2016-2020 should be binding, developed and agreed between the three institutions.

Flexibility provisions and special instruments: the report underlined that the mere frequency and level of mobilisation of the MFF special instruments over the past two years prove beyond any doubt the worth of the flexibility provisions and mechanisms enshrined in the MFF Regulation. It stressed the long-standing position of Parliament that **flexibility should allow for a maximum use of the global MFF ceilings for commitments and payments**. Members believed, therefore, that the mid-term revision of the MFF Regulation should provide for the lifting of a number of constraints and limitations that were imposed by the Council on the flexibility provisions at the time of adoption of the MFF.

They pointed to the role of the **Emergency Aid Reserve** in providing a rapid response to specific aid requirements for third countries for unforeseen events, and stressed its particular importance in the current context. They called for a substantial increase in its financial envelope up to an **annual allocation of EUR 1 billion**.

Simplification: Members believed that the mid-term review/revision provides for an excellent opportunity for the first-time assessment and evaluation of the functioning of the EU policies and programmes concerned, as well as the operation of the MFF flexibility provisions and special instruments. They invited the Commission to come up with concrete proposals to address the possible deficiencies and

to **improve and rationalise the implementation environment for the remaining years of the current MFF**, in order to ensure the most efficient use of scarce financial resources and to reduce the administrative burden for the beneficiaries.

The Commission was asked to conduct, in the course of the mid-term review/revision, an in-depth analysis of the use of the financial instruments since the beginning of the current programming period.

The post-2020 MFF: Members considered that the key priorities to be addressed must include: (i) adjustments to the **duration** of the MFF, (ii) a thorough reform of the **own resources** system, (iii) a greater emphasis on the **unity** of the budget, and (iv) more **budgetary flexibility**. They were furthermore convinced that the modalities of the **decision-making process** need to be reviewed in order to ensure democratic legitimacy.

They underlined that the Union should be able to react quickly to developing crises, such as the current migration crisis, the report called, in addition to the already existing MFF special instruments, for the establishment of a **permanent EU crisis reserve** within the Union budget in order to avoid ad hoc solutions like the setting-up of trust funds.