2017 general budget: all sections

2016/2047(BUD) - 26/10/2016 - Budgetary text adopted by Parliament

The European Parliament adopted by 446 to 184 with 60 abstentions, a resolution on the Council position on the draft general budget of the European Union for the financial year 2017.

According to Parliament, the 2017 budget has to be considered in the wider context of the mid-term revision of the multiannual financial framework (MFF). Therefore, budget 2017 has to be in line with the EU2020 targets, which represent its main orientation and overarching priority.

It reiterated its firm conviction that **initiatives such as the suspension of the ESI funds** by the Commission are not only unfair and disproportionate, **but also politically unsustainable**.

Stressing that Parliament's reading of the 2017 budget fully reflects the political priorities adopted by an overwhelming majority in its resolution of 9 March 2016 on general guidelines, Parliament emphasised that peace and stability are core values that need to be maintained by the Union. It considered that the Good Friday Agreement, which has proven vital to peace and reconciliation in Northern Ireland, must be protected. It underlined the need for specific measures to ensure **support for the regions which will be particularly affected in the case of Brexit**.

Responding to major EU challenges: Parliament highlighted that the Union is currently facing a number of serious emergencies and new challenges, which could not be foreseen at the time that the MFF 2014-2020 was set-up. Increased financial resources are therefore needed to be deployed from the Union budget, in order to meet the political challenges and allow the Union to deliver answers and effectively respond to those crises as a matter of utmost urgency and priority.

The first of these needs are the **migration challenge and slow economic growth** following the economic crisis. Funding should be boosted for research and infrastructure projects as well as for fighting youth unemployment.

These challenges should not take precedence over other important Union policies, in particular:

- the creation of decent and quality employment;
- the development of enterprises and entrepreneurship for smart, sustainable and inclusive growth.

Parliament noted that the Heading 3 ceiling is vastly insufficient to provide for appropriate funding for the internal dimension of the current refugee and migratory challenges. It stressed that, in order to ensure the necessary additional funding in this field, an unprecedented resource to the MFF special instruments, including the full use of the Flexibility Instrument, as well as the **substantial mobilisation of the "last resort" Contingency Margin**, was proposed by the Commission in the 2017 Draft Budget (DB), and accepted by the Council.

Parliament reiterated its position that requests for additional funding should not be deployed to the detriment of the Union’s existing external action, including its **development policy**. The setting-up of the Facility for Refugees in Turkey (FRT), Trust Funds, and any other ad-hoc instruments cannot be financed by cuts to other existing instruments.

Parliament strongly questions whether the Heading 4 ceiling (Global Europe) is sufficient to provide a sustainable and effective response to the current external challenges, including the current refugee and migratory challenges.

New money to finance new initiatives in relation to defence: Members reiterated their conviction that the Union budget should find ways of financing new initiatives which are not to the detriment of existing Union programmes. It is concerned that the Preparatory Action for defence research, which will amount to EUR 80 million over the next three years will be squeezed under the current budget of the MFF. However, for Parliament additional efforts for operations, administrative costs, preparatory actions and pilot projects in relation to the common security and defence policy also need **additional financial input from Member States**. In this regard, the current MFF mid-term review/revision should be used by Member States to clarify the long-term funding of common defence research.

International commitments: Parliament recalled that the Union ratified the COP 21 agreement and needs to dedicate part of its financial resources to respecting its international commitments. It strongly encouraged the Commission to pursue that track.

Youth travel: Parliament called on the Commission to present an **initiative aimed at providing public transport vouchers to young Europeans** selected on the basis of a competition.

Reverse Council's budget cuts: Parliament **reversed all cuts proposed by the Council to the DB**. It failed to understand the reasoning behind the proposed cuts and contests Council's declared intention of recreating artificial margins in some headings such as subheading 1a (Competitiveness for Growth and Jobs) and Heading 4 (Global Europe), particularly considering that margins would in any way be too small to react to unforeseen circumstances or crises.

Parliament compensated in full all cuts related to the European Fund for Strategic Investments (EFSI) in the Connecting Europe Facility (CEF) and Horizon 2020 for a total of EUR 1 240 million in commitments for 2017 via new appropriations to be obtained through the mid-term revision of the MFF.

It insisted on the need to provide an effective response to youth unemployment across the Union; therefore increases the Youth Employment Initiative (YEI) by an **additional EUR 1 500 million in commitment appropriations** to enable its continuation.

Towards an overall budget agreement: Parliament expected that the Council will share this approach and that an agreement will easily be reached in conciliation, allowing the Union to rise to the occasion and effectively respond to the challenges ahead. In parallel, it set the overall level of appropriations for 2017 at EUR 160.7 billion and EUR 136.8 billion in commitment and payment appropriations respectively.

Specific recommendations: in the second part of the resolution, Parliament made a series of recommendations heading by heading which may be summarised as follows:

Subheading 1a – Competitiveness for growth and jobs: Parliament strongly disagreed with these cuts in a heading that symbolises the European added value and delivers more growth and jobs for citizens. It decided to reverse all cuts made by the Council. In line with its continued priorities for Jobs and Growth and after careful assessment of their absorption capacity so far, Parliament decided to propose some selective increases above the level of the DB for the COSME, Progress, Marie Curie, European Research Council, Eures and Erasmus+ programmes and increased the level of commitment appropriations for subheading 1a above the DB by EUR 45 million (excluding EFSI, pilot projects and preparatory actions).

Subheading 1b – Economic, social and territorial cohesion: Parliament disapproved of Council's proposed cuts of EUR 3 million in commitments and, more importantly, EUR 199 million in payments under subheading 1b, including on support lines and reiterated its strong support for the continuation of the YEI. It decided, as a first step and in line with the Regulation on the European Social Fund which

foresees the possibility of such a continuation, to increase the YEI by EUR 1 500 million in commitment appropriations and EUR 500 million in payment appropriations to provide an effective response to youth unemployment.

Heading 2 – Sustainable growth: natural resources: Parliament stated that the Union budget must prioritise initiatives that will facilitate a real greening of the economy. It anticipated the presentation of the Amending Letter for the emergency support package in particular for the dairy sector and decided to express its strong support for the agricultural sector in the Union. It increased therefore the appropriations by EUR 600 million above the DB, in order to tackle the effects of the dairy sector crisis and the effects of the Russian embargo on the milk sector.

Heading 3 – Security and Citizenship: Parliament underlined that Parliament continues to put the current migration challenge at the top of its agenda. It noted that the big deviation of the original programming advocates in favour of an upwards adjustment of the Heading 3 ceilings. It stressed that the Commission proposes to finance those reinforcements largely through the mobilisation of the Flexibility Instrument (for EUR 530 million, thereby fully exhausting the funding available for this year) and the Contingency Margin (for EUR 1 160 million).

Given the unprecedented level of funding for migration-related expenditure (totalling EUR 5.2 billion in 2017 in Headings 3 and 4 and the mobilisation of the European Development Fund) and the proposals for applying flexibility on the table, Parliament **does not request** further reinforcements for migration-related policies. It will resist any attempts to reduce funding for Union actions in this field.

According to Parliament, budgetary flexibility has its limits and can only be a short-term solution. A **forward-looking and brave answer** in the face of these long-term refugee and migratory challenges is needed. This would involve an upwards adjustment of the ceiling of Heading 3.

Heading 4 – Global Europe: Parliament strongly questions whether Heading 4 ceilings are sufficient to provide for appropriate funding for the external dimension of the refugee and migratory challenges. It decided, therefore, to reverse all Council's cuts in Heading 4. It deemed it necessary to increase appropriations for the Turkish Cypriot Community budget line (+EUR 3 million) to promote trust and reconciliation between the two communities.

Heading 5 – Administration: Parliament considered that Council's cuts are unjustified and harmful and restores the DB for all Commission administrative expenditure, including administrative and research support expenditure in Headings 1 to 4. It decided, in the light of recent revelations and in order to regain the confidence of Union citizens and the credibility of the Union institutions, to hold 20 % of appropriations of the Temporary Allowances for former Members in reserve until the Commission enforces a stricter Code of conduct for Commissioners to **prevent conflict of interests and the revolving doors.**

The Parliament also made a series of specific recommendations on other institutions by restoring most of the amounts and posts which were cut by the Council.

Other recommendations: Parliament stressed that, at its request, a payment plan has been agreed with the aim of reducing the backlog of outstanding cohesion policy-related payment claims for 2007-2013 to a 'normal' level of EUR 2 billion by the end of 2016. However, it pointed out that at least EUR 8.2 billion of unpaid bills were identified at the end of 2015 for 2007-2013 in the field of cohesion policy, a figure which is expected to fall below EUR 2 billion by the end of 2016. It insisted a new payment plan should be based on sound financial management.

Lastly, Parliament is convinced that a Union-wide dimension should be tackled by pooling efforts and putting additional means at Union level rather than by calling past commitments into question or reverting to the illusion of **purely national solutions**.