Upscaling the 2021-2027 Multiannual Financial Framework: a resilient EU budget fit for new challenges

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The Committee on Budgets adopted the own-initiative report by Jan OLBRYCHT (EPP, PL) and Margarida MARQUES (S&D, PT) on upscaling the 2021-2027 multiannual financial framework: a resilient EU budget fit for new challenges.

Since the adoption of the current multiannual financial framework (MFF) in December 2020, the political, economic and social context has changed beyond recognition, starting with the unprecedented scale and dramatic consequences of the COVID-19 pandemic, which is not yet over. Moreover, Russia's unprovoked and unjustified invasion of Ukraine has led to a major humanitarian crisis and has triggered an enormous economic and social shock of uncertain duration worldwide.

According to the Commission, the unforeseen needs created by war in Europe are well beyond the means available in the current multiannual financial framework, necessitating new financing sources.

New challenges and shocks revealing shortcomings in the current MFF

Members called on the Commission to propose a revision of the current MFF focused primarily on addressing the consequences of the war against Ukraine and endowing the Union with adequate flexibility to respond to crises. The report stressed the shared Union goals of delivering on the European Green Deal, the digital transition and the European Pillar of Social Rights, scaling up defence cooperation and coordination, improving its strategic autonomy and energy independence and security, reducing energy poverty, improving the cost of living, ensuring global food security, and addressing the challenges caused by high inflation.

Increased financial capacity and greater democratic accountability

The Commission is called on to proceed with a legislative proposal for a comprehensive, ambitious revision of the MFF regulation and its annex as soon as possible and no later than the first quarter of 2023. Members stressed the need for an upscaled MFF to ensure a stronger and **more agile EU budget** which meets the highest standards of **transparency and democratic accountability**. They request therefore, an **increase in the MFF ceilings**, as well as an increase in and redesign of budgetary flexibility.

Heading 1: Single Market, Innovation and Digital

Members called or an increase in the ceiling of Heading 1 on the grounds that the margins are insufficient to accommodate the greater needs and because it opposes the use of agreed programme envelopes to finance new initiatives. They emphasised the key role that funding under Horizon Europe, Digital Europe, the Single Market Programme and the Connecting Europe Facility (CEF) play in stimulating innovation, supporting businesses and driving the green and digital transitions.

They look forward to the Commission's proposal for the new European Sovereignty Fund intended to secure the **strategic autonomy** of the Union and reduce dependence on non-EU countries in key sectors.

Heading 2a: Cohesion

Members are concerned that cohesion policy is increasingly being used to reinforce other policies and to make up for shortcomings in budgetary flexibility or crisis response mechanisms in the MFF. They consider that the existing possibility of transfers from the cohesion policy funds to other programmes of up to 5 % of the initial allocation provides for sufficient flexibility.

It is stressed that the MFF revision must not lead to any downwards revision of the pre-allocated national envelopes.

Heading 2b: Resilience and Values

The committee called for the budget line dedicated to the repayment of EURI borrowing costs to be removed from Heading 2b and placed outside the headings, and for those costs to be counted over and above the MFF ceilings. It regretted that the costs of EURI borrowing and the repayment of debt have been included as a budget line under Heading 2b for the 2021-2027 period, alongside flagship programmes such as Erasmus+, EU4Health, Creative Europe and Citizens, Equality, Rights and Values.

Members stressed the vital importance of the EU4Health programme and of the Union education, culture, youth and values programmes in supporting the relevant sectors in the wake of the pandemic and combatting disinformation and emphasised that the European Social Fund+ is one of the key drivers for strengthening the social dimension of the Union. They also regretted that Erasmus+, as a programme with relatively stable year-on-year demand, has a heavily backloaded financial profile in the current MFF.

Heading 3: Natural Resources and Environment

Members called for the ceiling of Heading 3 to be adjusted as soon as possible to fully accommodate the Social Climate Fund (SCF), while agreed financing under Heading 3 should not be undermined and be preserved for its intended purpose.

Heading 4: Migration and Border Management

According to Members, this heading should be increased to reflect current reality and the real financing needs of the Union’s migration and border management policies and programmes. The war against Ukraine and the subsequent decision to trigger the Temporary Protection Directive will entail a longer-term financial commitment to support Member States, placing unexpected demands on the Asylum, Migration and Integration Fund (AMIF), the Border Management and Visa Instrument (BMVI) and creating additional responsibilities for the decentralised agencies in Heading 4.

Heading 5: Security and Defence

There is a call an increase in the ceiling of this heading to enhance defence cooperation and investment. The need for investment is essential to strengthen security policy and finance technological innovation in a constantly evolving security landscape.

Heading 6: Neighbourhood and the World

Members called for an increase in the ceiling of Heading 6 to fully cover current and projected future needs in the Union’s external action and to create sufficient capacity to respond to crises and emerging needs. They deplored that, even prior to the war against Ukraine, funds available under Heading 6 were inadequate and that pressure on this heading has since increased substantially.

The committee underlined the importance of providing further support to Ukraine through MFA and highlighted that a far higher rate of provisioning than the standard 9 % is required for loans to Ukraine owing to the increased risk of default.

The Commission is also called on to ensure the Union lives up to its international climate commitments and in particular to provide funding to international climate finance and the relevant programmes under NDICI-Global Europe.

Adoption of the MFF

Members underlined that the unanimity requirement for adoption of the MFF Regulation impedes the necessary decisions in the revision process. They consider that the ordinary legislative procedure should apply to the adoption of the MFF Regulation and to the Own Resources Decision so that Parliament acquires the **full budgetary prerogatives** enjoyed by national parliaments.

Lastly, Parliament called on the European Council to activate it to **expedite decision-making**.