Guidelines for the 2024 Budget - Section III

2022/2184(BUI) - 05/04/2023 - Committee report tabled for plenary, single reading

The Committee on Budgets adopted the report by Janusz LEWANDOWSKI (EPP, PL) on general guidelines for the preparation of the 2024 budget, Section III - Commission.

Budget 2024 - towards stability in highly turbulent times

Members stressed that Russia's war against Ukraine, following the COVID-19 pandemic, has brought further substantial economic and social consequences for the people of Europe, pushing up inflation, generating energy insecurity, driving up food and energy prices and resulting in a cost-of-living crisis for millions. Moreover, the new geopolitical and economic context has given rise to new policy needs, notably in energy, social investments, defence and industrial policy. They stressed the need for new policies to be phased in consistently with agreed long-term objectives.

Members are determined to ensure that the 2024 budget addresses people's concerns and delivers on their needs and priorities by helping to restore stability and promote recovery and convergence, laying the foundations for a secure, prosperous, fair and sustainable Europe and ensuring that nobody is left behind.

The report highlighted the need for additional investment in:

- energy,

- health,

- food security,

- cohesion,

- the digital and green transitions,

- research and innovation and SMEs,

- tackling unemployment and poverty and offering opportunities for all, in particular young people and people from disadvantaged groups, and therefore improving the standard of living of all Europeans.

Against this background, Members regretted the **gradual decrease of the EU budget** as a percentage of EU gross national income (GNI) and the excessive focus on **capping overall spending** at roughly 1 % of EU GNI. This has made it difficult for the Union to deliver on its agreed ambitions and deprived it of the ability to respond to crises and emerging needs while ensuring democratic accountability. They regretted that the Commission has been forced to resort to double counting methods and the re-use of existing funds, disguising the current situation of the EU budget.

Revision of the MFF

The report stressed that the resources programmed to be available in the margins under the multiannual financial framework (MFF) ceilings and via the special instruments have been jeopardised by the multitude of crises and new initiatives put in place since the beginning of the current MFF and are therefore inadequate to finance important emerging priorities and to respond to crises facing the Union. Members underlined, therefore, that **the MFF is no longer fit for purpose**, that the need for a revision of

the MFF is beyond any doubt and that a 'business as usual' approach will not suffice to tackle the array of challenges posed and would rather undermine confidence in the Union.

They reiterated their call for an urgent and ambitious revision of the current MFF to provide additional resources to reinforce post-pandemic recovery, address the consequences of the war, guarantee sufficient flexibility and provide the necessary funding for important new policy initiatives and to respond to unforeseen challenges.

Members expect the revised MFF to be in place by 1 January 2024 and thus to provide the framework for the 2024 budget.

Green and digital transitions and the strategic sovereignty of the EU

While stressing the central role that the budget plays in delivering on the European Green Deal and achieving the Union's climate neutrality goal by 2050 at the latest, Members stressed that the consequences of the climate and biodiversity crisis need to be better reflected in the budget of the EU for programmes addressing climate, biodiversity and environmental objectives and nature conservation, in particular the LIFE programme, taking into account the scale of the challenges.

The committee noted the Commission's intention to establish a European Sovereignty Fund, which must be based on a thorough needs assessment and in-depth analysis of funding gaps. The key purposes of the fund are to avoid fragmentation of the single market caused by national schemes, to ensure a common European response through the EU budget and to **strengthen the Union's open strategic autonomy**, by reducing dependencies in strategic sectors and financing investment in key related sectors, including, among others, health, raw materials and space.

Members stressed the need to accelerate the digital transition of the economy and society to ensure the global competitiveness of the Union through investment in digital infrastructure and connectivity, increasing the use of digital technologies, scaling up artificial intelligence, cybersecurity and high-performance computing.

According to the report, the EU needs to **increase its independence in the semiconductor value chain**, including by supporting the Chips Act with appropriate budgetary architecture.

An effective response to global and geopolitical challenges

Members welcomed the EUR 18 billion that the EU, together with its strategic partners, is providing to Ukraine in macro-financial assistance in 2023. It stressed that the EU must play a pivotal role in the longer-term reconstruction and recovery effort. The EU requires sufficient resources to address the long-term challenges in its neighbourhood and beyond, responding to numerous crises. The committee reiterated that available resources under Heading 6 of the MFF are inadequate and should be increased as part of the MFF revision.

A responsible budget

Members recalled that Parliament, Council and the Commission committed to a road map for the introduction of new own resources to cover among other things the repayment of debt incurred under the European Union Recovery Instrument (EURI) in full. They called on the Commission and Council to advance without delay, and before the end of 2023, with the introduction of all new own resources contained in the first basket, which is vital for debt repayment and for financing the Union's policy priorities. Members also look forward to the Commission's ambitious proposals for a second basket of new own resources no later than in the third quarter of 2023.

The Commission is called on to develop a robust methodology for tracking social expenditure in the EU budget based on the principles of the European Pillar of Social Rights.

Moreover, the report stressed that proper checks and controls on EU spending are essential to combat fraud, protect the Union’s financial interests and ensure a high level of citizens’ trust in the EU institutions and the Union’s decision-making processes.

Lastly, Members stressed that the 2024 budget must provide sufficient payment appropriations for programmes that should now be at cruising speed. They insisted that it is necessary to step up the implementation of various programmes to avoid the risk of a payments backlog in the second half of the MFF period.