Basic information

2015/2008(BUD) BUD - Budgetary procedure	Procedure completed
2016 budget: guidelines, Section III - Commission **Subject** 8.70.56 2016 budget	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	FERNANDES José Manuel (PPE)	09/01/2015
	Shadow rapporteur GEIER Jens (S&D) KÖLMEL Bernd (ECR) ALI Nedzhmi (ALDE) NÍ RIADA Liadh (GUE /NGL) TARAND Indrek (Verts /ALE) ZANNI Marco (EFDD)	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3370	2015-02-17

European Commission

Commission DG	Commissioner
Budget	GEORGIEVA Kristalina

Key events

Date	Event	Reference	Summary
17/02/2015	Resolution/conclusions adopted by Council		Summary
26/02/2015	Vote in committee		
02/03/2015	Committee report tabled for plenary	A8-0027/2015	Summary
10/03/2015	Debate in Parliament		

11/03/2015	Decision by Parliament	T8-0061/2015	Summary
11/03/2015	Results of vote in Parliament		
11/03/2015	End of procedure in Parliament		

Technical information	
Procedure reference	2015/2008(BUD)
Procedure type	BUD - Budgetary procedure
Procedure subtype	Budgetary preparation
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/8/02488

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE546.772	23/01/2015	
Amendments tabled in committee		PE549.222	12/02/2015	
Committee report tabled for plenary, single reading		A8-0027/2015	02/03/2015	Summary
Parliament's opinion on budgetary estimates/guidelines		T8-0061/2015	11/03/2015	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

2016 budget: guidelines, Section III - Commission

2015/2008(BUD) - 02/03/2015 - Committee report tabled for plenary, single reading

The Committee on Budgets adopted the report by José Manuel FERNANDES (EPP, PT) on general guidelines for the preparation of the 2016 budget, Section III – Commission.

As a consequence of the economic and financial crisis, the level of investment in the EU has significantly dropped, and the development gap between various regions of the EU has increased. Given the persistent economic and budgetary constraints at national level, the EU budget plays a key role in fostering competitiveness and increasing economic, social and territorial cohesion in the Union.

The EU budget cannot accomplish its mission if its soundness, fairness and credibility are put in question. Therefore, it is imperative that all commitments forming part of the Multiannual Financial Framework 2014-2020 are respected in full, and that a number of problems that have accumulated over the past years, notably the unprecedented amount of unpaid invoices at the end of 2014 (EUR 24.7 billion), are resolved without delay.

It should be recalled that 2016 is the year when the new EU programmes of the MFF 2014-2020 will be operational and in full swing, and when the mid-term revision of the MFF will be launched.

Employment, Enterprise and Entrepreneurship for smart, sustainable and inclusive growth in the European Union: the report stressed the potential and added value of the EU budget for the creation of employment and the development of enterprises and entrepreneurship for smart, sustainable and inclusive growth across the Union. They expect that the Commission will place growth-orientated programmes and instruments at the heart of the Draft Budget 2016, in order to ensure that they are endowed with the necessary resources.

Members called for a favourable business environment to help the 20 million SMEs in the EU which account for 99% of all businesses in the EU. The EU funds should also encourage the creation of start-ups.

Stressing that the European Structural and Investment Funds form the biggest share of investment expenditure in the EU budget and are instrumental in job creation, boosting growth, and enhancing competitiveness and innovation, Members called on the Commission and the Member States to make every effort to ensure the swift adoption of the remaining **Operational Programmes** in the coming months, so as to ensure that implementation will reach cruising speed in 2016.

Members are concerned about the funding of the **Youth Employment Initiative** (YEI) as from 2016, given the **frontloading of the entire financial envelope of the programme in 2014 and 2015**. They stressed that the fight against youth unemployment needs to be further intensified and that all funding possibilities should be considered for this purpose.

The EU budget and the Investment Plan: Members welcomed as a first step the Investment Plan presented by the Commission, which can create the potential to mobilise EUR 315 billion of investment in infrastructure, education and research, as well as SMEs and mid-cap companies. They noted that the EU budget is expected to provide the backbone of this investment plan by making available the guarantee fund of EUR 8 billion required in commitments and payments for the provisioning of the European Fund for Strategic Investments (EFSI).

Internal and external solidarity and a secure Europe: the report stressed that the EU budget is also an instrument of **external solidarity**, providing urgent assistance in humanitarian and civilian crises by offering support to countries in need - such as Ukraine. They stressed that a common effort to handle **migration flows** lies at the crossroads of both internal and external solidarity.

Respecting commitments: Members are convinced that the EU budget cannot reach its full potential without settling issues such as the recurrent problem of **unpaid invoices at year-end**, the question of budgeting the MFF special instruments, and the delay in implementing cohesion policy operational programmes. They considered that 2015 should be the ultimate limit for introducing tangible and sustainable solutions to these outstanding questions.

Members attach the utmost importance to the **establishment and implementation of a sound payment plan** with the objective of **reducing the level of unpaid bills at year-end**. This plan should be agreed by the three institutions in due time before the presentation of the draft budget 2016.

They reiterated their longstanding position that the payments of special instruments (Flexibility Instruments, the EU Solidarity Fund, the European Globalisation Adjustment Fund and the Emergency Aid Reserve) must be counted over and above the MFF payment ceiling, as is the case for commitments.

Payment crisis: Members expect the Commission to propose an **adequate level of payment appropriations** in its Draft Budget, based on real forecasts and needs, so as to give the EU resources to match its ambitions. They undertake, within the MFF ceilings and with due consideration to the **acute shortage of payments**, to play its role as one arm of the budgetary authority with dedication and responsibility by promoting well-targeted increases in those budgetary areas with high absorption capacity that correspond to its political priorities and guarantee successful delivery. In this light, they intend to examine, with the support of its specialised committees, the specific programmes and budget lines that can better achieve this objective.

Members underlined that the 2016 budget will be crucial, not only because 2016 will be the first year of implementation of the new MFF provision on the global margin for commitments, but also because it should serve as a **benchmark for the post-electoral MFF review and revision**, to be launched before the end of 2016. There is a need to establish political priorities and identify in good time the areas of proven added value of EU spending for which further investments will be deemed necessary in the second half of the MFF 2014-2020.

Lastly, Members reaffirmed their position in favour of an **in-depth reform of the system of EU own resources**, whose current shortcomings are causing severe impasses in budgetary negotiations.

2016 budget: guidelines, Section III - Commission

2015/2008(BUD) - 11/03/2015 - Parliament's opinion on budgetary estimates/guidelines

The European Parliament adopted by 484 votes to 188, with 36 abstentions, a resolution on general guidelines for the preparation of the 2016 budget, Section III – Commission.

Parliament stressed that as a consequence of the economic and financial crisis, the level of investment in the EU has significantly dropped, and the development gap between various regions of the EU has increased. Given the persistent economic and budgetary constraints at national level, the EU budget plays a key role in fostering competitiveness and increasing economic, social and territorial cohesion in the Union.

It highlighted that the EU budget cannot accomplish its mission if its soundness, fairness and credibility are put in question. Therefore, it is imperative that all commitments forming part of the Multiannual Financial Framework 2014-2020 are respected in full, and that a number of problems that have accumulated over the past years, notably the unprecedented amount of unpaid invoices at the end of 2014 are resolved without delay.

Back on track – the 'three Es': Employment, Enterprise and Entrepreneurship for smart, sustainable and inclusive growth in the EU: Parliament stressed the potential and added value of the EU budget for the creation of employment and the development of enterprises and entrepreneurship for smart, sustainable and inclusive growth across the Union. It also stressed, in this context, the EU budget's contribution to economic, social and

territorial cohesion and to support for research and development, as well as the potential of energy transition and interconnection for generating new jobs and growth. It expects that the Commission will place such growth-orientated programmes and instruments at the heart of the Draft Budget 2016, in order to ensure that they are endowed with the necessary resources.

Parliament recalled that there are **more than 20 million SMEs in the EU and that they account for 99% of all businesses.** Therefore, a favourable business environment and the development of an entrepreneurial culture is needed. The creation and operation of start-ups should be facilitated. Parliament considered that, along with legislative simplification and reduction of red tape, available financial instruments under the COSME programme have to be used to their full extent to help and support SMEs along this path by facilitating in particular their access to markets and credits.

It is concerned about the funding of the **Youth Employment Initiative as from 2016**, given the **frontloading of the entire financial envelope of the programme in 2014 and 2015**. It stressed that the fight against youth unemployment needs to be further intensified and that all funding possibilities should be considered for this purpose.

Enhance internal EU cohesion: Parliament stressed that European Structural and Investment Funds form the biggest share of investment expenditure in the EU budget and are **instrumental in job creation, boosting growth, and enhancing competitiveness and innovation**. It called on the Commission and the Member States to make every effort to ensure the swift adoption of the remaining Operational Programmes in the coming months, so as to ensure that implementation will reach cruising speed in 2016.

The EU budget and the Investment Plan: Parliament welcomed as a first step the Investment Plan presented by the Commission, which can create the potential to mobilise EUR 315 billion of investment in infrastructure, education and research, as well as SMEs and mid-cap companies. It noted that the EU budget is expected to provide the backbone of this investment plan by making available the guarantee fund of EUR 8 billion required in commitments and payments for the provisioning of the European Fund for Strategic Investments (EFSI).

Internal and external solidarity and a secure Europe: Parliament recalled that the EU budget is a tool of internal solidarity in that it supports economic, social and territorial cohesion, helps combat poverty, promotes social inclusion and helps minimise development disparities not only between Member States, but also between their regions; stresses that it is also an instrument of external solidarity, providing **urgent assistance in humanitarian and civilian crises by offering support to countries in need - such as Ukraine** - and by helping make the EU the biggest donor of development aid, with the aim of meeting the Union's poverty eradication commitments.

Parliament recalled that its support for reinforcement of the EU's means and for the **development of a culture of fair burden-sharing among Member States when it comes to the handling of asylum and migration**, with particular reference to action in the Mediterranean and at the south-east border of the EU. It invited the Commission to propose targeted reinforcements of the relevant programmes and instruments, thus demonstrating the EU's pledge to tackle these issues.

Respecting commitments: Parliament is convinced that the EU budget cannot reach its full potential without settling issues such as the recurrent problem of **unpaid invoices at year-end**, the question of budgeting the MFF special instruments, and the delay in implementing cohesion policy operational programmes. It considered that 2015 should be the ultimate limit for introducing tangible and sustainable solutions to these outstanding questions.

Payment issues: Parliament recalled the commitment to hold, in the course of this year, at least three interinstitutional meetings on payments, in order to take stock of payment implementation and revised forecasts. It expected the first of these meetings, in March 2015, to provide a first overview of the level of unpaid bills at the end of 2014 for the main policy areas.

It regretted that, as anticipated, at the end of 2014 this level reached the **unprecedented amount of EUR 24.7 billion, for 2007-2013** cohesion programmes alone and deplored the fact that this debt undermined the credibility of the EU and is in contradiction with the goals set at the highest political level for growth and employment.

Parliament attached the utmost importance to the **establishment and implementation of a sound payment plan** with the objective of **reducing the level of unpaid bills at year-end**. This plan should be agreed by the three institutions in due time before the presentation of the draft budget 2016. It reiterated their longstanding position that the payments of special instruments (Flexibility Instruments, the EU Solidarity Fund, the European Globalisation Adjustment Fund and the Emergency Aid Reserve) must be counted over and above the MFF payment ceiling, as is the case for commitments.

The way forward: the Parliament urged the Commission to take due account of the above-mentioned political priorities when establishing its Draft Budget for 2016, so that the relevant EU programmes and actions are provided with the necessary means to fulfil those objectives. It called on the Commission to propose an **adequate level of payment appropriations in its Draft Budget, based on real forecasts and needs**, so as to give the EU resources to match its ambitions.

The Council is called upon to abandon the use of double standards and live up to the expectations raised by its own statements and decisions, whether they relate to the payment crisis, the MFF, the Europe 2020 strategy or the relaunch of investment. **Such political declarations and commitments are void unless coupled with sufficient budgetary resources to allow their implementation**.

Parliament underlined that the 2016 budget will be crucial, not only because 2016 will be the first year of implementation of the new MFF provision on the global margin for commitments, but also because it should serve as a **benchmark for the post-electoral MFF review and revision**, to be launched before the end of 2016. There is a need to establish political priorities and identify in good time the areas of proven added value of EU spending for which further investments will be deemed necessary in the second half of the MFF 2014-2020.

Lastly, Parliament reaffirmed its position in favour of an **in-depth reform of the system of EU own resources**, whose current shortcomings are causing severe impasses in budgetary negotiations. It attaches, therefore, the highest political importance to the work of the High Level Group on Own Resources under the chairmanship of Mario Monti.

2016 budget: guidelines, Section III - Commission

2015/2008(BUD) - 17/02/2015

The Council adopted conclusions setting its priorities for the 2016 EU budget. The conclusions emphasised the need to maintain budgetary discipline at all levels, given that budgetary constraints remain in many Member States. They called for a balance to be struck between fiscal consolidation and investments to boost growth. Such a balance could be achieved through the prioritisation of objectives and the allocation of resources to measures that contribute the most to those aims.

From the Council's point of view, commitments and payments should be kept under strict control, taking into account real needs. At the same time, the payments level in the 2016 budget should notably reflect the commitments made during the previous programming period 2007-2013 and the expected needs for programmes relating to the period 2014-2020.

General terms: the Council underlined that the budget for 2016 should play a key role in the development and delivery of the Union's objectives and priorities and especially in the progressive roll out of new programmes and actions. The Council emphasised the need to maintain budgetary discipline at all levels. It noted that the EU budget should take into account the current economic situation and also provide resources contributing to mitigate its negative effects, notably by seeking to boost growth, promote employment and create new jobs, as well as enhancing effective EU cohesion and increasing competitiveness.

The budget 2016 should provide the necessary resources to respect commitments already made and to implement the Union's 2016 policy priorities, taking into account a still high level of unpaid applications at the end of 2014.

According to estimates, the level of unpaid payment applications amounted to EUR 24.7 billion at the end of 2014, whereas it amounted to EUR 23.4 billion at the end of 2013.

Budget 2016: key elements:

Realistic budget: the Council reiterated the need for a realistic budget respecting the principle of sound financial management. The level of both commitment and payment appropriations should be kept under strict control and be based on real needs. The level of payment appropriations should be adequate and has to reflect the payment profiles of the programmes, including the commitments made during the previous programming period 2007-2013 and the expected needs for the period 2014-2020.

The Council emphasised that the budget for 2016 and corrective budgetary tools shall strictly respect the relevant ceilings in accordance with the multiannual financial framework (MFF) Regulation for the period 2014-2020. Moreover, it stressed the need to leave sufficient margins under the ceilings in order to be able to deal with unforeseen circumstances.

The appropriations included in the draft budget have to reflect genuine needs, taking into account outstanding commitments, future needs, payment profiles, past implementation and absorption capacities. In this respect, the Council asked the Commission to deliver, together with its draft budget and during the whole budgetary process, timely, precise and transparent information on the underlying assumptions and budgetary figures.

- Revenue: the Council encouraged the Commission to deliver reliable and accurate forecasts on own resources, including all sources of revenue. In this context the Council called on the Commission to undertake appropriate measures in order to avoid unexpected calls for additional contributions from the Member States, especially when the impact on national budgets could be high.

In this regard, corrective budgetary tools, such as amending budgets, should be kept to the strict minimum and in line with the Financial Regulation. However, if corrective measures prove to be necessary, the Council reaffirms its commitment to take a position on a potential draft amending budget as soon as possible.

- RAL: the Council noted the decrease of the volume of the outstanding commitments (RAL) and called on the Commission to carefully monitor these amounts. According to the Commission, the level of RAL amounted to EUR 189 billion at the end of 2014 whereas it amounted to EUR 221.8 billion at the end of 2013. While taking note of its decrease, the Council called on the Commission to settle or decommit them in a timely manner and in line with the relevant rules. The Council invited the Commission to develop the appropriate tools to monitor the evolution of the RAL by heading and by programme on a yearly basis.

- Interinstitutional cooperation during the budgetary procedure: the Council encouraged all institutions to collaborate efficiently and constructively, allowing for a smooth budgetary procedure and the establishment of the budget for 2016 within the deadlines set by the Treaty. It stressed the need to preserve the annual character of the budgetary procedure and to avoid discussions on issues not directly linked to the annual budget negotiations.

- Administrative expenditure: the Council urged all institutions, bodies and agencies to reduce or freeze their administrative expenditure as much as possible and to request financing only for justified needs. It recalled the agreement, as stated in Point 27 of the IIA, to progressively reduce by 5% the staff in all institutions, bodies and agencies between 2013 and 2017. In this context, the Council invited all institutions, bodies and agencies to appropriately report on the evolution of their staffing reductions, including contract staff.

- Decentralised agencies: the Council recalled that over-budgeting has often led to a substantial and unjustified level of carry-overs. It reiterated the importance of keeping their funding under firm control and limiting it only to substantiated needs. The Council called on the Commission, when establishing its draft budget for 2016, to continue taking into account unused appropriations and excessive accumulated cash-balances in order to bring down their annual surpluses. It also urged the Commission to carefully check, and if necessary revise, the requests for funds and posts proposed by the agencies taking into account past implementation as well as the compliance with the 5% staff reduction target. The Council expects the

Commission to continue providing the European Parliament and the Council with a comprehensive picture concerning agencies, including their building policy, together with the draft budget for 2016. In this context, the Council took note of the establishment of the interinstitutional working group aiming at closer and more permanent scrutiny on the development of decentralised agencies.

Conclusions: the Council considered that the EU budget should provide resources contributing to mitigate the negative effects of the current economic and social situation, notably by leveraging productive investments and providing the appropriate resources to boost growth and employment. It underlined that an accurate and accountable use of Union resources is one of the essential elements to reinforce the trust of EU citizens.

The Council underlined that a timely, transparent and accurate assessment of needs based on comprehensive budgetary information is an essential tool to reach this objective.

Moreover, the Council reiterated the great importance it attaches to these guidelines and expects them to be duly taken into account when preparing the draft budget 2016. These guidelines will be forwarded to the European Parliament and the Commission, as well as to the other institutions.