European Parliament

Committee on Budgetary Control

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DRAFT OPINION

of the Committee on Budgetary Control

for the Committee on Budgets

on the Interim report on the MFF 2021-2027 – Parliament’s position in view of an agreement

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SUGGESTIONS

The Committee on Budgetary Control calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions into its interim report regarding the Council regulation laying down the multiannual financial framework for the years 2021 to 2027 and on the Council decision on the system of own resources of the European Union.

MFF proposal

1. Recalls the European budgetary principles of unity, budgetary accuracy, annuality, equilibrium, universality, specification, sound financial management and transparency, which must be respected when the Multiannual Financial Framework (MFF) is established;

2. Stresses that the MFF 2021-2027 should facilitate a true European added value budget with sufficient funding to achieve its ambitions, and a strengthened focus on performance and results, leading to better spending and increased accountability and transparency in relation to the Union’s funds;

Numbers

3. Notes that, according to the European Court of Auditors (ECA), the Commission’s proposal for MFF 2021-2027 represents an 18 % increase in current prices on the MFF 2014-2020: from EUR 1087 to 1279 billion; stresses, however, that after taking inflation, the amounts attributable to UK beneficiaries during the MFF 2014-2020 and the incorporation of the European Development Fund (EDF) into the budget into account, the real increase is 5 %; points out that, as a proportion of Gross National Income (GNI), the Commission estimates that, when applying the same comparable basis, there is actually a decrease from 1.16 % to 1.08 %, and of 11 % when integrating the EDF;

4. Notes that the Commission proposes to reduce funding by 16 % for the MFF heading ‘Natural Resources and Environment’, which means in particular:

   – a 15 % cut in the CAP as a whole (an 11 % cut in direct payments and a 27 % cut in the rural development programmes),

   – according to Parliament figures, a 38 % increase for the Programme for the Environment and Climate Action (LIFE), which will remain a small part of the heading ‘Natural Resources and Environment’: 2 %;

5. Notes that the spending proposed for the heading ‘Cohesion and Values’ is set to increase by 1 %, but that there are major changes at programme level as, when taken together, the three funds that currently make up cohesion, namely the European Regional Development Fund (ERFD), the Cohesion Fund and the European Social Fund (ESF), are to be cut by 10 %, which means:

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– an increase by 2% in the ERFD,
– a 45% cut in the Cohesion Fund,
– a 7% cut in the ESF, in spite of its enlarged scope and the integration of the Youth Employment Initiative;

6. Notes that other programmes will be included under the heading ‘Cohesion and Values’, such as Erasmus+, for which the Commission plans a 77% increase in funding (amounting to 7% of the new heading ‘Cohesion and Values’);

7. Notes that, overall, the Commission proposes to increase funding for the other MFF Headings by EUR 115 billion, which corresponds to 11% of the current MFF;

8. Notes that the Commission’s proposed reprioritisation focuses on the headings ‘Migration and Border Management’ and ‘Security and Defence’ that will rise to make up nearly 5% of the budget as a whole, from the current level of 1%, and that spending under ‘Single Market, Innovation and Digital’ will rise to 15% from the current level of 11%;

Strategic planning

9. Notes that the Commission intends to bring the structure and the programmes of the EU budget fully into line with the Union’s post-2020 positive agenda, as agreed in Bratislava and Rome; notes that the declarations and roadmap adopted in Bratislava and Roma may not be considered as a long term strategic vision with objectives and indicators covering all the policy fields of the Union;

10. Points out that the Europe 2020 strategy will end before the start of the new MFF period, and that no new set of strategic EU goals has been decided on yet; stresses once again that public budgets are to be determined after the setting of political objectives and the designing of policies, regrets that the new MFF proposal has become a vehicle for shaping the EU’s political objectives after 2020 rather than simply reflecting them;

11. Points out that the Member States and the Commission should be able to present well-justified needs for Union funding and define the aims and the results to be achieved before any spending is set with the corresponding indicators to be measured;

Political priorities and presentation of the EU Budget

12. Welcomes the fact that the new programmes will be grouped in policy clusters, which will be reflected in the titles of the annual budget; expresses its hope that this will provide greater clarity on how they will contribute to policy goals;

13. Welcomes the fact that the Commission intends, as of 2021, to align the concept of policy areas with the programme clusters, and that this alignment will allow for an easier reconciliation between the annual budget and the headings of the MFF;

14. Recalls that the Committee on Budgetary Control (CONT) asked the Commission on

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1 Bratislava declaration of 16 September 2016; Rome Declaration of 25 March 2017.
many occasions to present the Union budget in accordance with the political objectives of the MFF as adopted by Parliament; is of the opinion that this will allow the budgetary authority to scrutinise and follow up the preparation and implementation of the budget more easily;

15. Recalls that the funding for policies and projects should be in line with climate and energy objectives and the commitments made under the Paris Agreement; recalls, therefore, that at least 30% of the EU’s expenditure should contribute to the climate objectives and agrees that this is best done by mainstreaming climate spending across all EU programmes;

16. Points out that there is a lack of clear investments in relation to the goals of the EU Pillar of Social Rights adopted by the three institutions;

17. Regrets the lack of alignment of the proposed MFF with the 17 UN Sustainable Development Goals (SDGs) for 2030 supporting the progressive transformation towards a sustainable European society;

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\text{Simplification and performance}
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18. Welcomes the Commission’s proposal to reduce the number of spending programmes by a third and to make the rules more coherent; stresses that in order to actually achieve simplification for beneficiaries, all unnecessary rules, requirements and procedures should be eliminated;

19. Recalls that the Commission uses two sets of objectives and indicators to measure the performance of financial management: on the one hand, the Commission’s Directors-General evaluate the achievement of the objectives defined in their management plan in their annual activity reports (AAR), and, on the other, the Commission measures the performance of spending programmes via the programme statements of operational expenditure annexed to the draft budget;

20. Recalls that the current performance framework of the programmes reported in the programme statements includes 716 indicators of different types measuring the performance against 61 general and 228 specific objectives;

21. Asks the Commission to:

(a) streamline performance reporting by:

-- further reducing the number of objectives and indicators it uses for its various performance reports and focusing on those which best measure the performance of the Union budget in the interests of simplification, transparency and better control;

-- extending a qualitative approach and including environmental and social indicators in order to be able to measure the impact of EU policy on environmental and social policies;

-- presenting financial information in a manner that makes it comparable with
performance information so that the link between spending and performance is clear;

(b) better balance performance reporting by clearly presenting information on the main EU challenges still to be achieved;

(c) provide a declaration on the quality of the reported performance data;

Spending review accompanying the MFF Proposal

22. Welcomes the fact that the Commission has carried out a spending review covering all major programmes under the current MFF, and that this review aimed to combine:

– a strategic review (focused on giving priority to programmes according to their value added and coherence with EU objectives) with

– an efficiency review (seeking means of improving the delivery of existing programmes);

23. Recalls that, in order to allow Parliament to draw up the political framework for each of the following five years, the budget cycle should be reduced from seven to five years; considers the MFF 2021-2017 to be a transitional period from a seven- to a five-year budget;

24. Welcomes the fact that the Commission recognises the need to align the MFF to political and institutional cycles, and considers that the organisation of a mid-term review at the end of 2023 at the latest represents a step forward along the way towards progressively synchronising the duration of the MFF with the five-year political cycle of the EU Institutions;

EU added value

25. Recalls that in the Reflection Paper on the Future of EU finances, the Commission proposed a list of seven criteria for the assessment of EU value added and spelled out the fact that EU financial support for programmes should depend on the results of that assessment;

26. Notes that, according to the reflection paper, only programmes with very high EU value added should receive full EU financing, that for those with medium to high EU value added, financing should be limited, and that there should be no financing for programmes whose EU value added was low;

27. Regrets that the published Spending Review provides neither a systematic assessment of programmes based on the criteria that the Commission defined for EU value added, nor clear overall conclusions on each programme’s EU value added; asks the Commission to develop and apply a robust concept of EU value added on the basis of the seven

2 The criteria comprised: Treaty objectives and obligations, public goods with a European dimension, economies of scale, spillover effects, subsidiarity, benefits of EU integration and European values: peace, democracy rule of law.
criteria set out in the reflection paper;

28. Notes that, given that the strategic objectives for the post-2020 period have yet to be set, the Commission was not in a position to adequately assess coherence with the EU’s objectives for the 2021-2027, making it difficult to indicate and monitor the EU value added, which in any case must continue to demonstrate improvements, particularly in terms of the economic, social and territorial cohesion of the EU;

29. Recalls that the European budget has an obligation to respond adequately to the demands and ambitions of the European policies, and be of added value to the Union;

Flexibility and Accountability

30. Welcomes the Commission’s proposals to improve the EU budget’s capacity to respond to changing circumstances by increasing overall flexibility and ensuring sufficient appropriations to cover unforeseen events without hampering monitoring and control; welcomes, in particular, the proposals to raise the own resources ceiling, reduce the difference between total payment appropriations and total commitment appropriations, remove the limits placed on the Global Margin for Payments, increase the size and scope of special instruments outside the MFF (Flexibility Instrument, Emergency Aid Reserve, European Union Solidarity Fund and European Globalisation Adjustment Fund) and to widen the Global Margin for Commitments and rename it the Union reserve;

31. Welcomes the Commission’s proposal to incorporate the EDF into the EU Budget and to make it subject to the same principles and rules as those applicable to other programmes financed from the EU budget, but stresses that a consistent level of accountability and transparency should be ensured in relation to the funds spent to achieve EU objectives through the EU Budget and those that will continue to be spent outside it;

32. Insists that public audit mandates should be established for all types of financing of EU policies at EU and national level, and that the ECA should be appointed as the auditor of bodies set up to implement EU policies, including EU bodies such as the European Defence Agency and the proposed European Monetary Fund and bodies created through agreements outside the EU legal order such as the European Stability Mechanism and the European Investment Bank in relation to its non-EU budget operations;

Cuts in the CAP and Cohesion

33. Is deeply concerned by the cuts proposed by the Commission in the CAP and cohesion;

34. Fears that the cuts in the CAP will affect the capacity of a large number of farmers to maintain their professional activity; believes that increasing the effectiveness of CAP support is an absolute necessity in order to limit these negative effects;

35. Recalls the ECA’s recommendations on the Commission’s communication on the future of the CAP, namely that the new delivery model should deliver both ambitious and relevant performance targets that are based on statistical and scientific evidence, aligned with EU objectives, characterised by a solid accountability and audit chain and based on
increased performance monitoring and assessing policy performance and a robust evaluation framework;

36. Asks, once again, for the Commission and the Member States to rectify this anomaly, and stresses that the CAP financing schemes should focus more on farmers operating under special constraints, more specifically small farms, ecologically and geographically challenging areas and sparsely populated regions;

37. Fears that the Commission’s proposal to design the new CAP on the basis of strategic plans to be drawn up by the Member States will oblige them to assume responsibility for the cuts while increasing the risk of creating more diversity and complexity in CAP financial management and making the legitimate controls more difficult;

38. Fears that the large cuts in the rural development programmes, namely 27% overall, with 45% in the Cohesion and 10% in the European Social Fund, will not allow the Union to successfully tackle the disparities and sharp divisions between urban and rural areas, to reverse the processes of deepening divergences and to overcome fragmentation; reiterates its position that additional political priorities should be coupled with additional financial means and not financed to the detriment of successful EU policies;

**Own Resources**

39. Welcomes the three new categories of own resources that include a share of the common consolidated corporate tax base (CCCTB), a 20% share of the revenue generated by the emissions trading scheme and a national contribution calculated on the amount of non-recycled plastic packaging waste in each Member State;

40. Encourages the Commission to make additional proposals for new own resources in order to achieve a self-sustaining EU budget in the medium term;

41. Believes that the current system of corrections and rebates needs to be abolished, and supports the Commission’s proposal to phase out all rebates by 2025;

42. Supports the Commission’s proposal to reduce the percentage of customs duties retained by Member States as ‘collection costs’ to 10%;

43. Calls for keeping VAT as an EU own resource while implementing a genuine simplification of it;

44. Notes that the overarching objective of conditionality in the EU is to foster integration and cohesion among Member States; believes that sound logical conditionality must involve setting incentives in such a way that it contributes to the intended outcome and prevents the misuse of EU funds;

45. Asks the Commission to clarify the calculation of the national contribution based on the amount of non-recycled plastic packaging waste in Member States and how it will be collected; calls on the Commission to put in place a set of monitoring tools that will support Member States in establishing a common methodology for collection and calculation of contribution;
46. Notes with concern that the legislative proposal on the CCCTB has still not been adopted and that there is no time estimate for when it will be agreed on in the Council; is of the opinion that the CCCTB cannot be considered as a true own resource for the next programming period for that reason; urges the Council to reach an agreement in this context;

47. Welcomes the principle that future revenues from EU policies should flow into the EU budget, as they constitute a genuine EU income source.