

Newsletter

ISSUE 02 - 2024

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WEDNESDAY, 24 JANUARY 2024, 09.00 - 10.30 (BUDG)

AND 10.30 - 11.30 (AFET-BUDG)

AND 11.30 - 13.00 (BUDG)

WEDNESDAY, 24 JANUARY 2024, 16.00 - 18.00

(BUDG-CONT)

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ANTALL 6Q2, BRUSSELS

*** Wednesday, 24 January 2024, 09.00 - 10.30 ***

*** VOTING TIME ***

Financial Activities of the European Investment Bank - annual report 2023



The BUDG Committee will vote on the draft report on Financial Activities of the European Investment Bank (EIB) - annual report 2023.

The draft report points to the important role played by the EIB in funding actions to attain EU policy objectives and calls for a capital increase. It moreover assesses the contribution of the EIB's actions to climate action and environment sustainability, to support for Ukraine and to the EU's strategic interests and external policy objectives in 2023. Finally, it includes some findings with regard to transparency and governance.

Based on the 129 AMs tabled to the draft report, 23 compromises were agreed between the political groups.

Rapporteur:

David Cormand (Greens/EFA)

Shadows:

Angelika Winzig (EPP)
Eero Heinäluoma (S&D)
Charles Goerens (Renew)
Johan Van Overtveldt (ECR)
Joachim Kuhs (ID)
Dimitrios Papadimoulis (The Left)

Deadline for tabling

amendments: 5 January 2024 - 12.00

Adoption in BUDG:

24 January 2024

Plenary: 26 February 2024

Business in Europe: Framework for Income Taxation (BEFIT)

The BUDG Committee will vote on the draft opinion in form of a letter on the FISC consultative report on Business in Europe: Framework for Income Taxation (BEFIT). The letter is co-signed by the Chair and the Own Resources co-Rapporteurs.

The draft opinion elaborates on the potential link between business taxation and the EU budget. Since businesses benefit from the single market, it would be justifiable that a small share of their profits are considered as a possible revenue source for the Union budget. The draft opinion recalls the long-standing Parliament's support for own resources linked to corporate taxation as part of a basket of new revenue, and considers that BEFIT would be a suitable basis for such an own resource.

The draft opinion was endorsed by the BUDG coordinators via a written procedure.

Rapporteurs:

Johan Van Overtveldt (ECR)

Adoption in BUDG:

24 January 2024

2024 Budget: Section III - Commission

- No transfer request

Rapporteur:

Siegfried Mureşan (EPP)

Shadows:

Victor Negrescu (S&D)

Fabienne Keller (Renew)

Andresen Rasmus (Greens/EFA)

Bogdan Rzońca (ECR)

Joachim Kuhs (ID)

Dimitrios Papadimoulis (The Left)

2024 Budget: Other Sections

- No transfer request

Rapporteur:

Nils Ušakovs (S&D)

Shadows:

Anna-Michelle Asimakopoulou (EPP)

Fabienne Keller (Renew)

Francisco Guerreiro (Greens/EFA)

Bogdan Rzońca (ECR)

Joachim Kuhs (ID)

Younous Omarjee (The Left)

Building Policy

- No building request

Rapporteur:

Olivier Chastel (Renew)

Shadows:

Monika Hohlmeier (EPP)

Nils Ušakovs (S&D)

Rasmus Andresen (Greens/EFA)

Bogdan Rzońca (ECR)

Joachim Kuhs (ID)

Younous Omarjee (The Left)

*** END OF VOTING TIME ***

Study on “The impacts of recent inflation developments on the EU finances”



The BUDG Committee has commissioned a study to examine in detail the impact of inflation on the EU budget. The cumulative inflation for the period 2021-2023 was 23,7% (in 2007-2013 it was 11,5% over the whole period, in 2014-2020 it was only 6,5%). The study underpins the general observation that the accumulated inflation results in a sizeable **loss of purchasing power of EUR 109.5 billion** for a budget (and NGEU funding) which is capped in absolute amounts and only adjusted annually according to an automatic 2% deflator. **The additional funds proposed**

by the Commission in its mid-term review of the Multiannual Financial Framework (MFF) would reduce the overall loss by EUR 27.5 billion.

This study goes much further and investigates in more granular detail how inflation impacts the value of expenditure in each MFF heading and Budget cluster. This approach gives a differentiated picture, because the implications per economic sector, policy area and intervention logic - for example infrastructure investments under the Connecting Europe Facility vs income support under the agricultural budget chapters - are quite distinct. Spending under the RRF is also within the scope of the expertise and two case studies - for Bulgaria and Spain - illustrate some specificities per Member State.

Moreover, and this is unique in the literature so far, the study also takes an in-depth look at the implications for the different EU revenue sources. The VAT-based own resource, for instance, increases (roughly) in proportion with inflation. Nominal income from custom duties also goes up. The call rate for the GNI based contributions can therefore be reduced accordingly. The lump sum reduction for certain Member States increases in line with real inflation. All this has implications for the relative share of the various own resources in the overall financing of the budget. One preliminary finding is that **the total volume of the MFF over the period, which was initially expected to be equivalent to 1,05% of GNI, will now only be worth 0,96% of GNI by 2027** (not taking into account the revision).

The study does not find that poorer Member States have seen their share in the MFF finances increasing, but it clearly shows that eastern Member States had to pay an extra inflation-induced contribution to the budget in 2021 and 2022.

Finally, the study makes some suggestions how the impact of inflation could be mitigated. They argue, inter alia, that a broader mix of revenue sources would make the budget more resilient against certain economic fluctuations.

The lead authors from the Austrian Institute of Economic Research (WIFO) will present their findings, and Members will have the opportunity to comment and discuss the conclusions and recommendations, not least against the topical background of the ongoing negotiations on the MFF revision.

From the abstract: *The focus of [this study](#) is the effect of inflation on the ongoing implementation of the current MFF on an aggregate level. The relevant inflation impacts and the channels via which they take effect are presented and analysed for the MFF and the EU revenue system. The study then maps and discusses policy options to mitigate these effects regarding the ongoing MFF and NGEU implementation, as well as with a view to the ongoing MFF midterm revision.*

***** Wednesday, 24 January 2024, 10.30 -11.30 (AFET-BUDG) *****

Establishing the Reform and Growth Facility for the Western Balkans

- Presentation by the Commission



The Commission will present its proposal for a regulation establishing the Reform and Growth Facility for the Western Balkans, adopted on 8 November 2023. Its purpose is to set up a new financing instrument to provide EUR 6 billion to the countries of the Western Balkans, consisting of EUR 2 billion in grants and EUR 4 billion in highly concessional loans. The proposal is modelled on the Ukraine Facility. Disbursement of funds would be conditional on the implementation of structural reforms, e.g. the rule of law or anti-corruption, to be identified in national reform agendas. The creation of the Facility is conditional on the MFF mid-term review. Parliament was neither consulted nor informed prior to the adoption of the proposal. The proposal also overlaps considerably with IPA III, the main EU instrument to

promote pre-accession reforms in the countries of the Western Balkans.

***** Wednesday, 24 January 2024, 11.30 -13.00 *****

Building Policy - Exchange of Views

- EP: Spaak building renovations

Parliament has informed the Committee on Budgets of its intention to conduct a profound environmental renovation of the Paul-Henri Spaak building. The building would be upgraded and modernised without fundamental changes to its functionalities or its architectural design.

The renovation project will address the following aspects: environmental performance of the building and its sustainability; compliance with the requirements of the future European Energy Efficiency Directive and Building Performance Directive; upgrading of the security and robustness of the building; the severe technical obsolescence of the building; the need for improved flexibility of the building to allow the Institution to develop further.

The construction costs are estimated at a rounded amount of EUR 350 million and 30% of overheads (corresponding to the costs of design, experts, consultancy, coordination, risks and general costs) must be foreseen, bringing the total global cost of the renovation at EUR 455 million. The indicative timeline of the project spans an 8-year period, from 2024 until 2031.

Rapporteur:

Olivier Chastel (Renew)

Shadows:

Monika Hohlmeier (EPP)

Nils Ušakovs (S&D)

Rasmus Andresen (Greens/EFA)

Bogdan Rzońca (ECR)

Joachim Kuhs (ID)

Younous Omarjee (The Left)

- EEAS: Lease of new office premises for the EU Delegations to China, Ethiopia and African Union, Guyana, Iraq and Qatar - postponed

- No other information received

2023 Budget: Section III - Commission - Exchange of Views - autonomous transfers

Pursuant to Article 30(1)(a) of the Financial Regulation (FinReg), the Commission may, within its own section of the budget, decide on the transfer of appropriations within each chapter. Furthermore, pursuant to Article 30(1)(c) of the FinReg, the Commission may transfer operational expenditure between the chapters within the same title up to 10% of the appropriations for the financial year shown on the budget line from which the transfer is made.

The Commission provides consolidated information on these autonomous transfers and presents them to the BUDG members in order to increase transparency over the implementation of the Union budget.

Rapporteur:

Fabienne Keller (Renew)

Shadows:

Janusz Lewandowski (EPP)

Victor Negrescu (S&D)

Francisco Guerreiro (Greens/EFA)

Bogdan Rzońca (ECR)

Joachim Kuhs (ID)

Dimitrios Papadimoulis (The Left)

Guidelines for the 2025 Budget - Section III



The general rapporteur on the 2025 budget, Victor Negrescu, will present his draft report on the guidelines for the preparation of next year's budget.

BUDG Members will exchange views on the draft report and the priorities for the upcoming Budget, which will have to be negotiated and adopted under particularly challenging frame conditions. The procedure will be marked by some calendar constraints due to the electoral break and by a number of uncertainties about the Financial Programming and the Multiannual Financial Framework linked to the Ukraine Facility and the EURI refinancing costs, as well as a general scarcity of margins and flexibility.

The draft report is structured as follows:

- A people-centred EU Budget 2025: Investments tailored to improving people's lives
- An equitable, fair and inclusive budget, which offers better opportunities to all EU citizens
- A budget that delivers on strategic priorities
- A future-fit budget for a changing world
- Boosting implementation of programmes

Rapporteur:

Victor Negrescu (S&D)

Shadows:

Andrzej Halicki (EPP)

Katalin Cseh (Renew)

Francisco Guerreiro (Greens/EFA)

Bogdan Rzońca (ECR)

Joachim Kuhs (ID)

Dimitrios Papadimoulis (The Left)

Exchange of views on draft report: 24 January 2024

Deadline for tabling amendments: 1 February 2024 - 12.00

Adoption in BUDG: 4 March 2024

Plenary: TBC

*** Wednesday, 24 January 2024, 16.00 -18.00 (BUDG-CONT) ***

Implementation of the Rule of Law Conditionality Regulation

- Exchange of views with Johannes Hahn, Commissioner for Budget and Administration, Didier Reynders, Commissioner for Justice, and Nicolas Schmit, Commissioner for Jobs and Social Rights, on the implementation of the Rule of Law Conditionality Regulation and the release of cohesion funds for Hungary under the Common Provisions Regulation



During the last update on the Rule of Law Conditionality Regulation by Commissioner Hahn in BUDG/CONT on 7 November 2023, the Commissioner stressed that the Commission was in close contacts with Hungary but no new measures were communicated.

On 13 December 2023, the Commission published its reassessment of the conditions that led to the adoption of measures against Hungary adopted by the Council on 15 December 2022 under the Rule of Law Conditionality Regulation. Therein, the Commission found that breaches of the principles of the rule of law in Hungary concerning public procurement, the effectiveness of prosecutorial action and the fight against corruption in Hungary persist. Since “the situation leading to the adoption of the measures has not been remedied and the Union’s budget remains at the same level of risk”, 55% of budgetary commitments (about EUR 6.3 billion) in EU Cohesion funding for Hungary remains blocked.

In another decision adopted on 13 December 2023, the Commission found that Hungary’s judicial reform implemented earlier in 2023 led to the country’s fulfilment of the horizontal enabling condition on the Charter of Fundamental Rights concerning judicial independence, while issues related to academic freedom, the right to asylum and child protection persist. As a result, Hungary has been able to claim reimbursement of EUR 10.2 billion out of about EUR 22 billion in Cohesion funds earmarked for the country. In addition, EUR 10.4 billion for Hungary remain blocked under the Recovery and Resilience Facility (RRF) in view of the lack of fulfilment of various super-milestones.

In accordance with its legal obligation set out in Article 9 of the Rule of Law Conditionality Regulation, the Commission adopted a communication on the application of the Rule of Law Conditionality Regulation on 12 January 2024, which assessed the effectiveness of the measures adopted under the Regulation and of the procedure. Although it was too early to draw final conclusions, the communication concludes that the mechanism has been effective and states that the *“Commission will continue to gather and rigorously assess information indicative of breaches of the principles of the rule of law in Member States that affect or seriously risk affecting the sound financial management of the Union budget or the protection of the financial interests of the Union in a sufficiently direct way”*, while pointing to the possibility of a future review of the guidelines.

Financial rules applicable to the general budget of the Union (recast)

- Reporting back to committee from trilogues of 27 November 2023 and 7 December 2023



Parliament and the Council found a political agreement on the recast of the Financial Regulation at the trilogue of 7 December. Subsequently, the provisional agreement was endorsed by Coreper. The agreement is submitted to the Committees on Budgets and Budgetary Control, sitting jointly.

*** VOTING TIME ***

Financial rules applicable to the general budget of the Union (recast)

- Vote on the provisional agreement resulting from interinstitutional negotiations

*** END OF VOTING TIME ***

NEXT MEETINGS

5 February 2024 - Joint BUDG-ECON meeting, Strasbourg

12-13 February 2024 - EP Week, Brussels

14-15 February 2024 - BUDG meeting, Brussels

eCommittee (for internal users)

[Implementation figures](#)

NEWS FROM POLICY DEPARTMENT D

Recent publications

Publications Catalogue 2019 - 2023

BUDG

- Briefing [“Cohesion Policy Calendar \(2021-2027 and 2014-2020 Programming Periods\) January 2024 update”](#)
- Study [“The impacts of recent inflation developments on the EU finances”](#)
- Briefing [“ITER financing by the EU budget - state-of-play”](#)
- Briefing [“An estimate of the European Union’s long-term borrowing cost bill”](#)
- Briefing [“Gender budgeting in the Member States”](#)
- At a Glance [“Options for a stronger and more agile EU budget”](#)
- Study [“Options for a stronger and more agile EU budget”](#)
- Briefing [“Ukraine: Financing of reconstruction and the role of the EU budget”](#)
- Briefing [“Budgetary aspects of EU defence policy”](#)
- In-Depth Analysis [“Recovery and Resilience Dialogue with the European Commission”](#)
- Briefing [“EU Financial assistance to Africa and Latin America 2021-2027”](#)
- Briefing [“Human and Financial Resources in Decentralised EU Agencies”](#)
- In-Depth Analysis [“The rising cost of European Union borrowing and what to do about it”](#)
- Briefing [“Statistical own resources: Examples of the gender pay gap and food waste”](#)
- At a Glance [“The tools for protecting the EU budget from breaches of the rule of law: the Conditionality Regulation in context”](#)
- Briefing [“Financial impact of the war in Ukraine: current and future challenges for the EU budget”](#)
- Study [“The tools for protecting the EU budget from breaches of the rule of law the Conditionality Regulation in context”](#)
- Briefing [“EU external action and crisis response: is the EU budget fit for purpose?”](#)

CONT

- Study [“Due Diligence in EU Institutions' Own-Account Procurement: Rules and Practices”](#)
- Workshop Proceedings [“Sponsorships of EU Presidencies: Stocktaking and Perspectives”](#)
- Briefing [“Nominations for Members of the European Court of Auditors: Sweden and Portugal”](#)
- Briefing [“EU assistance to Ukraine and scrutiny of the EU financing provided”](#)
- Briefing [“Preventing EU funds from ending up with individuals or companies tied to the EU-Russia sanctions list”](#)
- In-Depth Analysis [“The EU Emissions Trading System: Method and Effects of Free Allowance Allocation”](#)
- Briefing [“Nominations for Members of the European Court of Auditors: Belgium and Finland”](#)
- At a Glance [“Transparency and accountability of EU funding for NGOs active in EU policy areas within EU territory”](#)
- Briefing [“Nominations for Members of the European Court of Auditors: Denmark, Spain and Ireland”](#)
- Study [“Transparency and accountability of EU funding for NGOs active in EU policy areas within EU territory”](#)
- At a Glance [“Nominations for Members of the European Court of Auditors: Slovakia”](#)
- At a Glance [“The use of contract agents in decentralised EU agencies”](#)
- Briefing [“Sponsorships of EU Presidencies: stocktaking and perspectives”](#)
- Briefing [“The Role of Investigative Journalism to Uncover Fraud and Corruption in Europe”](#)
- Study [“The use of contract agents in decentralised EU agencies”](#)

- At a Glance [“Nominations for Members of the European Court of Auditors: Hungary”](#)
- Briefing [“Preventing EU funds from ending up with individuals or companies tied to the EU-Russia sanctions list”](#)
- At a Glance [“Nominations for Members of the European Court of Auditors: Slovakia”](#)
- Briefing [“Cohesion policy investments and Next Generation EU recovery fund: state of play of the monitoring and controls”](#)
- Briefing [“Rule of law-related ‘super milestones’ in the recovery and resilience plans of Hungary and Poland”](#)
- Briefing [“Financial support for the treatment and accompanying of Ukrainian refugees”](#)

Forthcoming publications

BUDG

- Study “Contingent liabilities for the EU budget: an updated appraisal”
- Study “The performance framework for the EU budget: further steps towards the mainstreaming of horizontal priorities and for delivering an outcome/impact-oriented approach”

CONT

- Study “Lessons learned from the implementation of crisis response tools inside the EU, from a budgetary control point of view”
- Study “The future of digitalisation of budgetary control”

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