



**2023/0201(APP)**

13.2.2024

## **DRAFT REPORT**

containing a motion for a non-legislative resolution on the draft Council regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 (0000/2024 – C9-0000 – 2023/0201(APP))

Committee on Budgets

Co-Rapporteurs: Jan Olbrycht, Margarida Marques

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## MOTION FOR A EUROPEAN PARLIAMENT NON-LEGISLATIVE RESOLUTION

**on the draft Council regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 (0000/2024 – C9-0000 – 2023/0201(APP))**

*The European Parliament,*

- having regard to Articles 311, 312 and 323 of the Treaty on the Functioning of the European Union (TFEU),
- having regard to the draft Council regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 (XXX),
- having regard to the request for consent submitted by the Council in accordance with Article 312(2) TFEU,
- having regard to Council Regulation (EU, Euratom) No 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027<sup>1</sup> and to the joint declarations agreed between Parliament, the Council and the Commission in this context<sup>2</sup> and the related unilateral declarations<sup>3</sup>,
- having regard to Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom<sup>4</sup>,
- having regard to the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources<sup>5</sup> (‘the IIA’),
- having regard to Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget<sup>6</sup>,
- having regard to the Commission proposal of 20 June 2023 for a Council regulation amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 (COM(2023)0037),
- having regard to the Commission communication of 20 June 2023 entitled ‘Mid-term revision of the multiannual financial framework 2021-2027’ (COM(2023)0336) and the

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<sup>1</sup> OJ L 433I, 22.12.2020, p. 11.

<sup>2</sup> OJ C 444I, 22.12.2020, p. 4.

<sup>3</sup> Texts adopted, P9\_TA(2020)0357.

<sup>4</sup> OJ L 424, 15.12.2020, p. 1.

<sup>5</sup> OJ L 433 I, 22.12.2020, p. 28.

<sup>6</sup> OJ L 433 I, 22.12.2020, p. 1.

accompanying staff working document (SWD(2023)0336),

- having regard to the European Council conclusions of 1 February 2024,
  - having regard to its resolution of 3 October 2023 on the proposal for a mid-term revision of the multiannual financial framework 2021-2027<sup>7</sup>,
  - having regard to its resolution of 10 May 2023 on the impact on the 2024 EU budget of increasing European Union Recovery Instrument borrowing costs<sup>8</sup>,
  - having regard to its resolution of 15 December 2022 on upscaling the 2021-2027 multiannual financial framework: a resilient EU budget fit for new challenges<sup>9</sup>,
  - having regard to its resolution of 19 May 2022 on the social and economic consequences for the EU of the Russian war in Ukraine – reinforcing the EU’s capacity to act<sup>10</sup>,
  - having regard to Rule 105(2) of its Rules of Procedure,
  - having regard to the report of the Committee on Budgets (A9 XXXX),
- A. whereas the regulation establishing the multiannual financial framework (MFF) for the period 2021-2027 does not provide for a mandatory mid-term review or revision; whereas, in a unilateral declaration as part of the December 2020 agreement on the MFF, the Commission undertook to present a review of the functioning of the MFF by 1 January 2024;
- B. whereas, in December 2022, Parliament emphasised that, since the adoption of the MFF in December 2020, the political, economic and social context had changed beyond recognition and called on the Commission to bring forward its planned review and to propose a revision of the current MFF;
1. Underscores that a revision of the MFF regulation is an essential prerequisite for ensuring medium-term financial support to Ukraine through the Ukraine Facility, for enabling increased funding for targeted policy priorities and for safeguarding Union programmes and the budget’s flexibility in the light of higher-than-forecast interest rates and therefore higher-than-programmed Union borrowing costs;
  2. Recalls that Parliament argued that the revision should focus primarily on addressing the consequences of Russia’s war of aggression against Ukraine and on endowing the Union with adequate flexibility to respond to emerging needs and to crises, with a structural approach to supporting Ukraine and to managing NextGenerationEU borrowing costs and with enhanced funding for external policy, migration and strategic autonomy and competitiveness; notes that these priorities were all reflected in the Commission’s June 2023 proposal for a revision and are all present, at least to some extent, in the draft

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<sup>7</sup> Texts adopted, P9\_TA(2023)0335.

<sup>8</sup> Texts adopted, P9\_TA(2023)0194.

<sup>9</sup> Texts adopted, P9\_TA(2023)0194.

<sup>10</sup> Texts adopted, P9\_TA(2022)0219.

Council regulation to which Parliament is asked to give consent;

3. Stresses that the draft Council regulation amending the MFF is part of a package of legislation and that its adoption will enable rapid support to be provided to Ukraine and ensure reinforcements can be introduced already into the 2024 budget through an amending budget and for the remaining years of the MFF period; underlines that the MFF revision represents a clear improvement on the status quo, although some aspects contained in the draft Council regulation are not optimal, leaving the EU budget under pressure, with limited margins and flexibility, with cuts to key programmes and with reduced ambition in important future-oriented policy areas, such as sovereignty;
4. Recalls that Parliament has worked rapidly and constructively from the outset to enable swift adoption of the MFF package; regrets the fact that the process was beset by political difficulties among Member States, causing unwelcome delays in the Council; is disappointed that the Council and Commission did not apply the provisions of the Treaties and the IIA to enable proper engagement earlier in the process; insists that, in future, cooperation must be put in place at the beginning of any revision procedure;
5. Sets out below its considerations with respect to the different facets of the MFF revision;

#### ***Support for Ukraine***

6. Warmly welcomes the EUR 50 billion financing package for Ukraine for the period 2024-2027, combining grants (EUR 17 billion) with loans on highly favourable terms (EUR 33 billion) and anchored in the EU budget; emphasises that the amendment of the MFF regulation to which Parliament is invited to give consent is a prerequisite for financial support to be provided to Ukraine;
7. Underlines that this medium-term structural solution gives certainty to the people of Ukraine, enabling the government to maintain essential services and helping the country on its path to reconstruction, recovery and membership of the EU; considers, furthermore, that the financing package is a vital symbol of the Union's long-term commitment to Ukraine and its people and sends an important signal of that commitment both to other key donors and to the Russian Federation; undertakes to monitor Ukraine's future financing needs, taking into account international developments;
8. Highlights that, with the Ukraine Facility embedded in the EU budget, the necessary checks and balances on spending and requisite financial controls will be ensured and the Ukraine Reserve covering the grants component of the Facility mobilised by the budgetary authority in the annual budgetary procedure;

#### ***Headings 4 and 6 - Migration and the external dimension***

9. Welcomes the fact that an additional EUR 3.1 billion in fresh money will be provided for Heading 6 (neighbourhood and the world), combined with a further EUR 4.5 billion in decommitted and redeployed funds to be re-purposed within the heading, for a total of EUR 7.6 billion planned to be spent on support for migration measures and refugees in third countries and on enhanced accession funding for the Western Balkans between

2024 and 2027; underlines, furthermore, that the creation of the Ukraine Facility and enhanced support for the Western Balkans will also create space for increased financial support for Moldova on its path to accession;

10. Welcomes the fact that, by removing from Heading 6 Ukraine-related European Investment Bank guarantees and interest rate subsidies for macro-financial assistance loans to Ukraine in 2022 for a total of EUR 1.9 billion, the revision releases further pressure on the heading;
11. Is very disappointed that neither the cushion in the Neighbourhood Development and International Cooperation Instrument (NDICI)-Global Europe programme nor humanitarian aid have been reinforced as part of the MFF revision and that, despite the improvements, the heading as a whole will remain under significant pressure for the remainder of the MFF period given the challenging geopolitical situation and the combination of global crises; expects humanitarian aid needs to continue to exceed the amounts budgeted for and intends, therefore, to carefully monitor, and where necessary to address, those needs in the annual budgetary procedure;
12. Recalls that, under the NDICI Regulation, decommitted funds are to be recommitted to their budget line of origin; emphasises that decisions on the redeployment of decommitted funds must respect the internal balance and distribution between the budget lines provided for in the NDICI Regulation; stresses that the precise breakdown of funds across budget lines is decided exclusively by the budgetary authority in the annual budgetary procedure and is determined to ensure that the EU continues to provide essential financial support and development aid to the Global South;
13. Underscores that financial support for third countries should be provided through programmes within Heading 6, which ensure robust oversight and guarantee Parliament's prerogatives; stresses that the use of Facilities is a last resort for the provision of financial support; emphasises that the governance model employed in the Ukraine Facility, in particular with respect to the extensive use of Council implementing decisions, is specific to the context in which it will operate and is therefore exceptional and not to be replicated for any future instrument of this kind;
14. Welcomes the additional EUR 2 billion in Heading 4 (migration and border management), which will be pivotal in implementing the New Pact on Migration and Asylum and help alleviate the strain on programmes and decentralised agencies in the heading;

#### ***Strategic Technologies for Europe Platform (STEP)***

15. Underlines that the Strategic Technologies for Europe Platform is conceived as a lever to create synergies between existing programme structures, thereby helping to secure the Union's open strategic autonomy, to reduce dependence on non-EU countries and to boost investment in strategic sectors and driving forward the green and digital transitions; reiterates that STEP should act as a testbed for a fully-fledged Sovereignty Fund in the next MFF period;
16. Recalls, in that regard, that STEP was supposed to combine fresh funding for InvestEU and Horizon Europe, for the Innovation Fund and for the European Defence Fund with

the re-prioritisation of funds under existing programmes, in particular through increased pre-financing and co-financing under cohesion policy programmes;

17. Welcomes the boost in the Union's defence investment capacity through the EUR 1.5 billion reinforcement of the European Defence Fund; regrets, however, the overall limited additional resources to support the STEP objectives and the lack of fresh funding for the other programmes, with a consequent negative impact on green and digital investments;

#### *NextGenerationEU interest payments*

18. Welcomes the fact that the draft Council regulation establishes an uncapped special instrument over and above the ceilings (the EURI instrument) to cover at least part of the NGEU borrowing cost shortfall, which will provide certainty to the financial markets; recalls that the shortfall is currently estimated at EUR 15 billion between 2025 and 2027; underlines that, without a revision of the MFF, any shortfall can only be met by cutting programmes and exhausting budgetary flexibility;
19. Stresses that NextGenerationEU (NGEU) repayment costs are subject to market conditions, influenced by external factors and thus inherently volatile and that the repayment of borrowing costs is a non-discretionary legal commitment for the Union; reiterates, therefore, that it was strongly opposed to subjecting the repayment of NGEU borrowing costs to a cap within an MFF heading in the 2020 MFF negotiations; recalls that it has repeatedly argued for all NGEU borrowing costs to be placed over and above the MFF ceilings as a comprehensive structural solution to cover NGEU repayment costs, which have increased as a result of rising interest rates and required substantial use of the budget's flexibility in 2023 and 2024;
20. Underlines that the EURI instrument consists of two compartments, with the first to be used comprising an amount equivalent to decommitted funds and the second a backstop composed of additional Member State contributions; recalls Parliament's long-standing view that decommitted appropriations should remain in the budget and be committed by the budgetary authority in the annual budgetary procedure; welcomes, therefore, this important step in acknowledging that appropriations committed within the budget should remain in the budget and help provide much-needed budgetary flexibility;
21. Notes that, before having recourse to the special instrument, the budgetary authority is expected to examine the possibility for covering part of any shortfall within the headings and through the Flexibility and Single Margin Instruments; emphasises that this process must be objective and based on real needs and cannot be driven by any arbitrary benchmarks; recalls, in this context, that the Joint Declaration agreed by the three institutions as part of the 2020 MFF agreement, whereby expenditure to cover NGEU financing costs 'shall aim at not reducing programmes and funds', still applies and serves as a reference point for the budgetary authority; intends, therefore, to ensure that all programmes are properly resourced and that the budget's flexibility and response capacity is maintained through the annual budgetary procedure;
22. Insists on the need for the Commission to provide reliable, timely and accurate information on NGEU borrowing costs and on expected Recovery and Resilience Facility disbursements throughout the budgetary procedure;

23. Emphasises that, under the Treaties, the European Council has no role either in the budgetary procedure or in the legislative procedure; stresses that any discussions on the EURI Instrument in the European Council must not disrupt the pragmatic calendar for the budgetary procedure agreed in accordance with the IIA each year and must not condition, in any way, the conduct of the budgetary procedure; underlines that it will be especially vigilant in this regard and ensure that the prerogatives of the budgetary authority as laid down in the Treaties are fully upheld and that the IIA is complied with in full;

### ***Flexibility and Special Instruments***

#### ***Solidarity and Emergency Aid Reserve***

24. Points to the increased needs since the beginning of the MFF for humanitarian aid and emergency response inside and outside the Union and for support in relation to natural disasters, which are becoming more frequent and more intense in particular owing to climate change; is convinced that such needs are likely to grow; welcomes, therefore, the fact that the Solidarity and Emergency Aid Reserve (SEAR) will be increased by EUR 1.5 billion for the remainder of the MFF period, though remains concerned that, even with this increase, needs are unlikely to be met;
25. Welcomes, furthermore, that, in line with Parliament's long-standing position, the draft Council regulation splits the instrument into two parts - the European Solidarity Reserve for natural disasters and public health emergencies under the European Union Solidarity Fund and the Emergency Aid Reserve for rapid response to emergencies inside and outside the Union; considers that this revised architecture will facilitate implementation;
26. Is concerned, however, that the percentage split between the two reserves, with two thirds to be allocated to the Solidarity Reserve and one third to the Emergency Aid Reserve, is not fully aligned with the balance of needs in the first three years of the MFF, which have been closer to a ratio of 65-35;
27. Welcomes the fact that potential unused amounts under the Solidarity Reserve and the Emergency Aid Reserve that would otherwise lapse will be made available again to the Flexibility Instrument in the following year, establishing an important principle to enhance flexibility;

#### ***Flexibility Instrument***

28. Recognises that, by increasing the Flexibility Instrument by EUR 2 billion between 2024 and 2027 and by creating the EURI special instrument for NGEU borrowing cost overruns, the draft Council regulation releases some pressure on the budget; considers, nevertheless, that, given the logic of the steps leading to activation of the new special instrument and the shortfall in administrative spending owing to inflation, the increase is largely pre-allocated; remains concerned that, in line with the patterns of use in the early years of the MFF, the increase might not create sufficient budgetary space to enable the Union to respond to unforeseen circumstances and emerging needs;
29. Regrets that, with respect to flexibility and crisis response, the MFF revision can only be seen as a missed opportunity;



### ***New Own Resources***

30. Reaffirms its commitment to the legally binding roadmap in the IIA, in which Parliament, Council and Commission undertook to introduce sufficient new own resources to at least cover the repayment of NGEU borrowing costs and, beyond the current MFF, the principal;
31. Deeply regrets the absence of progress in Council on the own resources proposals on the table and recalls that it has taken all necessary steps to enable rapid adoption; calls on the Council to approve the proposals without further delay; underlines that progress on genuine new own resources beyond the existing proposals remains vital;

### ***Payments***

32. Underscores that the Union's credibility depends on ensuring that there are adequate payment appropriations to ensure beneficiaries receive the money they are due in good time; recalls that there is expected to be a steep increase in payment needs in the latter years of the MFF period, including as a result of the adjusted scope and rules for the use of cohesion funds stemming from the STEP regulation;
33. Regrets, therefore, that the draft Council regulation does not take up Parliament's proposal of scrapping the annual cap in payments appropriations for recourse to the Single Margin Instrument, which would have eliminated any risk of a payments crisis;
34. Notes that the draft Council regulation does provide some flexibility in payments ceilings by enabling an amount equivalent to the unused portion of the maximum annual adjustment to the 2025 payments ceiling to be carried over to 2026, though this does not completely eliminate the risk of a backlog; calls on the Commission to monitor closely the evolution of payment needs and to propose any necessary remedial action to the budgetary authority in due time;

### ***Impact on the EU budget***

35. Underlines that, unlike in national budgets where inflation affects the nominal value of both revenue and spending, the MFF spending ceilings are increased annually by 2 %, whereas the own resources ceiling adjusts to inflation; recalls that inflation has reduced the real-terms value of the MFF by EUR 74 billion according to the Commission, while revenue called from Member States for MFF spending has decreased as a percentage of gross national income (GNI) and the rebates for the five beneficiary Member States, which are inflation-linked, have increased at a higher rate than the MFF ceilings;
36. Remains concerned that, even after the revision, total commitment appropriations amount to only 1.02 % of GNI and total payment appropriations only 1.01 % of GNI; recalls that, originally, payment appropriations in the current MFF were planned to be set at 1.10 % of GNI; acknowledges, at the same time, the budgetary challenges facing many Member States;
37. Deplores the cuts to flagship programmes in the MFF revision, especially to those specifically reinforced as part of the 2020 MFF agreement;

38. Deeply regrets the reduction of the financial envelope for Horizon Europe by EUR 2.1 billion, which runs counter to Council's own stated objective of investing 3 % of Gross Domestic Product in research and development; points out, however, that Parliament helped mitigate the impact of the cut to Horizon Europe by making available EUR 100 million of research decommitments under Article 15(3) of the Financial Regulation to the benefit of the programme, on top of the EUR 500 million already agreed in 2020; recalls that the re-use of research decommitments is a long-standing Parliament demand;
39. Recalls the importance of health policies and the clear political commitment in the 2020 MFF agreement to prioritise health funding; is, therefore, very disappointed by the cut of EUR 1 billion to EU4Health; considers that such a decision is likely to undermine preparedness for any further pandemic and curtail the Union's ability to support public health systems; points out, however, that, at Parliament's request, the spending profile of the programme has been adapted in order to mitigate the impact of the cut on practical implementation by spreading the effect of the reduction more evenly across the remaining years;
40. Recalls its position that pre-allocated national envelopes should not be adjusted in the MFF revision; welcomes, therefore, the decision to leave pre-allocated national envelopes untouched and not to take them into account in the mechanism for covering the NGEU borrowing costs shortfall; deplores, however, the cuts to direct management actions under cohesion policy (-EUR 0.4 billion) and the Common Agricultural Policy (-EUR 0.7 billion), thus reducing the full potential and impact of those actions;
41. Acknowledges that both the European Globalisation Adjustment Fund (EGF) and the Brexit Adjustment Reserve (BAR) have not been required to the extent anticipated and that there is scope to adjust their envelopes; considers that amounts from these special instruments should have been re-used for other purposes in the budget, for example to reinforce the Flexibility Instrument;

#### ***Implementation of the MFF package***

42. Calls for the changes introduced in this revision to be implemented without further delay, in particular to ensure the timely payment of financial support to Ukraine;
43. Calls on the Commission to provide a detailed explanation to the budgetary authority of how it intends to manage all changes to programmes so that delivery of their fundamental objectives can be achieved as far as possible and to provide detailed information on the impact of the revision on the EU budget as whole;
44. Stands ready to enact any necessary legislative and budgetary changes without undue delay in view of the urgency of the matter; recalls, in that regard, the joint statement by the European Parliament, the Council and the Commission on integrating the outcome of the MFF revision in the 2024 budget;
45. Insists that Parliament will ensure that its prerogatives in the annual budgetary procedure are fully respected in the implementation of this package;
46. Instructs its President to forward this resolution to the Council and the Commission.