European Parliament
2019-2024

TEXTS ADOPTED

P9_TA(2022)0450

Upscaling the 2021-2027 Multiannual Financial Framework

European Parliament resolution of 15 December 2022 on upscaling the 2021-2027 multiannual financial framework: a resilient EU budget fit for new challenges (2022/2046(INI))

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 Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021-2027[1] (MFF Regulation), and to the joint declarations agreed between Parliament, the Council and the Commission in this context[2], as well as to the related unilateral declarations[3],

– 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[4],

– 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[5] (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[6],

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No

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1 OJ L 433 I, 22.12.2020, p. 11.
2 OJ C 444 I, 22.12.2020, p. 1.
3 OJ C 445, 29.10.2021, p. 252.
4 OJ L 424, 15.12.2020, p. 1.
5 OJ L 433 I, 22.12.2020, p. 28.
6 OJ L 433 I, 22.12.2020, p. 1.

1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012[1] (Financial Regulation),

– having regard to the general budget of the European Union for the financial year 2023, as adopted on 23 November 2022[2],

– having regard to the proposal of 16 May 2022 for a regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (COM(2022)0223),

– having regard to the proposal of 22 April 2022 for a regulation of the European Parliament and of the Council amending Regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union (COM(2022)0184),

– having regard to the Interinstitutional Proclamation on the European Pillar of Social Rights of 13 December 2017[3] and the Commission communication of 4 March 2021 on the European Pillar of Social Rights Action Plan,

– having regard to its resolution of 19 October 2022 on the Council position on the draft general budget of the European Union for the financial year 2023[4],

– having regard to the report of the Committee on Budgets and the Committee on Budgetary Control adopted on 8 September 2022, endorsed at Parliament's part-session of 12 to 15 September 2022,

– having regard to its resolution of 13 September 2022 on the 2021 proposal for a revision of the multiannual financial framework[5],

– having regard to its resolution of 23 June 2022 on the Council position on Draft amending budget No 3/2022 of the European Union for the financial year 2022 – financing reception costs of people fleeing Ukraine[6],

– 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[7],

– having regard to its resolution of 24 November 2021 on the revision of the Financial Regulation in view of the entry into force of the 2021-2027 multiannual financial framework[8],

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1 OJ L 193, 30.7.2018, p. 1.
2 Texts adopted, P9_TA(2022)0403.
3 OJ C 428, 13.12.2017, p. 10.
4 Texts adopted, P9_TA(2022)0366.
5 Texts adopted, P9_TA(2022)0309.
6 Texts adopted, P9_TA(2022)0254.
7 Texts adopted, P9_TA(2022)0219.
8 OJ C 224, 8.6.2022, p. 37.

– having regard to its resolution of 21 October 2021 on the Council position on the draft general budget of the European Union for the financial year 2022[1],

– having regard to its position of 16 December 2020 on the draft Council regulation laying down the multiannual financial framework for the years 2021 to 2027[2] ,

– having regard to its resolution of 23 July 2020 on the conclusions of the extraordinary European Council meeting of 17-21 July 2020[3] ,

– having regard to its resolution of 10 October 2019 entitled '2021-2027 multiannual financial framework and own resources: time to meet citizens' expectations'[4] ,

– having regard to its resolution of 14 November 2018 on the multiannual financial framework 2021-2027 – Parliament's position with a view to an agreement[5] ,

– having regard to the European Council conclusions of 24 June 2022,

– having regard to the European Council conclusions of 31 May 2022,

– having regard to the European Council conclusions of 25 March 2022,

– having regard to the Versailles Declaration of 11 March 2022 following the informal meeting of the Heads of State or Government,

– having regard to the Commission communication of 18 October 2022 entitled 'Commission work programme 2023' (COM(2022)0548),

– having regard to the report of August 2022 by the World Bank, the Government of Ukraine and the Commission entitled 'the Ukraine Rapid Damage and Needs Assessment',

– having regard to the Commission communication of 18 May 2022 on Ukraine relief and reconstruction (COM(2022)0233),

– having regard to the Commission communication of 11 December 2019 on the European Green Deal (COM(2019)0640),

– having regard to the proposals of the Conference on the Future of Europe presented on 9 May 2022,

– having regard to Special Report 09/2022 of the European Court of Auditors entitled 'Climate spending in the 2014-2020 EU budget - Not as high as reported',

– having regard to Special Report 22/2021 of the European Court of Auditors entitled 'Sustainable finance. More consistent EU action needed to redirect finance towards sustainable investment',

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1 OJ C 184, 5.5.2022, p. 179.
2 OJ C 445, 29.10.2021, p. 240.
3 OJ C 371, 15.9.2021, p. 110.
4 OJ C 202, 28.5.2021, p. 31.
5 OJ C 363, 28.10.2020, p. 179.

– having regard to Special Report 10/2021 of the European Court of Auditors entitled ‘Gender mainstreaming in the EU budget: time to turn words into action’,

– having regard to the United Nations Sustainable Development Goals,

– having regard to Rule 54 of its Rules of Procedure,

– having regard to the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on Budgetary Control, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on Agriculture and Rural Development, the Committee on Culture and Education and the Committee on Constitutional Affairs,

– having regard to the position in the form of amendments of the Committee on Employment and Social Affairs,

– having regard to the letters from the Committee on the Environment, Public Health and Food Safety, the Committee on Industry, Research and Energy and the Committee on the Internal Market and Consumer Protection,

– having regard to the report of the Committee on Budgets (A9-0281/2022),

A. whereas, pursuant to Article 311 TFEU, the Union must provide itself with the means necessary to attain its objectives and carry through its policies; whereas the multiannual financial framework (MFF) sets the Union’s budgetary priorities for seven years and provides financial resources for its policies, programmes and needs; whereas the MFF is constrained by the Own Resources ceiling;

B. whereas, since the adoption of the current MFF in December 2020, the political, economic and social context has changed beyond recognition, starting with the unprecedented scale and dramatic consequences of the COVID-19 pandemic, which is not yet over;

C. whereas Russia’s unprovoked and unjustified invasion of Ukraine has led to a major humanitarian crisis and has triggered an enormous economic and social shock of uncertain duration worldwide; whereas the Heads of State or Government have described the war as a ‘tectonic shift in European history’ and the Commission has stated that the ‘unforeseen needs created by war in Europe are well beyond the means available in the current multiannual financial framework’, necessitating new financing sources;

D. whereas the Union and its people have supported Ukraine from the very beginning of the war, showing solidarity with Ukrainians in their fight to defend democracy against authoritarianism, offering shelter to over 8 million Ukrainians and granting temporary protection to 4 million; whereas the EU, the Member States and European financial institutions have provided Ukraine with more than EUR 19 billion in assistance; whereas, in addition to humanitarian and military aid, the Union has supported Ukraine in the areas of health, energy and agriculture and facilitated trade, in particular by establishing solidarity lanes to help Ukraine export agricultural goods; whereas further assistance will be needed to sustain basic services and essential infrastructure in the country;

E. whereas 21,9 % of the EU population is at risk of poverty and social exclusion; whereas energy poverty is certain to worsen as a consequence of the Russian invasion of Ukraine; whereas the combination of rising energy prices and soaring inflation is driving a cost of living crisis, threatening the survival of businesses, especially small and medium-sized enterprises (SMEs), and pushing more people towards poverty;

F. whereas people rightly expect the Union and its budget to respond quickly and effectively to evolving needs and to provide the necessary support to them, especially in times of crisis;

G. whereas the EU budget plays, and must continue to play, a central role in delivering on the Union's political priorities, including making a success of the green and digital transitions for all, paving the way for climate neutrality by 2050, fostering an inclusive and social recovery, promoting sustainable and inclusive growth, enhancing competitiveness, innovation, strategic autonomy and energy security and independence, providing support for vulnerable groups and SMEs, fostering sustainable development that leaves no one behind and ensures cohesion and upward convergence, ensuring a more robust European Health Union in the aftermath of the COVID-19 crisis, safeguarding and promoting the rule of law, EU values, fundamental rights and gender equality within and beyond the Union, contributing to greater opportunities for all and ensuring a stronger Union for its people which is able to deliver on its global responsibilities and to tackle the climate and biodiversity crises and their consequences;

H. whereas, in its work programme for 2023, the European Commission sets out a series of new policy initiatives with potentially significant budgetary implications, in particular, the proposed European Hydrogen Bank, the SME Relief Package and the European Sovereignty Fund;

I. whereas the combined effect of multiple crises, low MFF ceilings and cumbersome procedures governing the adoption or revision of the MFF has given rise to a 'galaxy' of ad hoc instruments outside the EU budget, as well as to greater use of external assigned revenue not subject to the budgetary procedure, most notably in the case of NextGenerationEU (NGEU); whereas only the budgetary procedure requires the full involvement of Parliament and ensures it can exercise scrutiny over the budget; whereas both arms of the budgetary authority should play equal roles as provided for in the TFEU; whereas Parliament should always play a full role in this new budgetary environment in order to ensure democratic accountability and transparency for the remainder of the current MFF;

J. whereas the IIA sets out specific arrangements for cooperation and dialogue between Parliament, the Council and the Commission on budgetary matters; whereas further steps should be taken to improve transparency, accountability and the availability of information on all spending in support of EU policy-making;

K. whereas, in line with its unilateral declaration as part of the December 2020 agreement on the 2021-2027 MFF, the Commission has included in its work programme for 2023 a commitment to conduct a review of the MFF in the second quarter of 2023, which may include a revision;

L. whereas Parliament's position on own resources will be set out in a forthcoming resolution;

New challenges and shocks revealing shortcomings in the current MFF

1. Calls on the Commission to propose a revision of the current MFF focused primarily on addressing the consequences of the war against Ukraine and endowing the Union with adequate flexibility to respond to crises;

2. Underscores that the EU institutions are united in their view that, in the wake of the unprovoked and unjustified invasion of Ukraine, the EU should provide the strongest possible humanitarian, social, economic and financial assistance to Ukraine, while addressing the severe economic and social consequences of the crisis within the Union and delivering the necessary support to all those affected; underlines, in this context, the shared Union goals of delivering on the European Green Deal, the digital transition and the European Pillar of Social Rights, scaling up defence cooperation and coordination, improving its strategic autonomy and energy independence and security, reducing energy poverty, ensuring global food security, and addressing the challenges caused by high inflation;

3. Underlines that a strong Union built on solidarity and cooperation and able to face current challenges and cushion the impact of the cost of living crisis for people and businesses requires EU-wide solutions to ensure a level playing field for all Member States in their ability to support people and businesses, thereby preserving the integrity of the internal market and preventing its fragmentation or distortion; highlights, in this regard, the importance of cross-border projects which are fundamental in building a sovereign, strategic and autonomous Union;

4. Stresses that, at least in the short term, large-scale humanitarian aid in Ukraine and financial support to Member States receiving and helping to settle people fleeing the conflict are needed to address the impact of the war against Ukraine; recalls that the relevant programmes have not been endowed with the resources this unprecedented situation requires; considers, moreover, that, in the long term, the Union should play a leading role in the reconstruction of Ukraine, through a ‘build back better’ approach, once the war is over, ensuring good governance, respect for the rule of law and sound financial management; calls on the Commission to assess the role that the EU budget should play in international reconstruction efforts;

5. Welcomes the decision to grant Ukraine and Moldova candidate country status; emphasises that this decision entails a long-term financial and budgetary commitment - and coordinated policy approach - to support reconstruction, recovery and the necessary reforms specific to each country, as has been the case with other candidate countries;

6. Regrets that essential new policy initiatives put forward since the adoption of the current MFF have come with proposals either to shift money away from - or to re-purpose money within - agreed EU programmes, policies and objectives; considers that recurrent redeployments are not a viable way to finance the Union’s priorities and constitute a de facto change to the agreed MFF;

7. Points to the extensive use made of the special instruments in the first two years of the MFF; notes that the Flexibility Instrument was mobilised for Heading 6 (Neighbourhood and the World) spending in 2022 and is to be mobilised for significant spending under the same heading and Headings 2b (Resilience and Values) and 5

(Security and Defence) in 2023; points out that, under the defence proposal of July 2022[1], further appropriations are to be mobilised via special instruments in 2024;

8. Highlights that the Solidarity and Emergency Aid Reserve (SEAR) was almost exhausted in 2021 and has been fully used in 2022 after having provided a combination of humanitarian aid and support to Member States for tackling natural and man-made disasters; points out that the extension of the scope of the European Union Solidarity Fund (EUSF) to include public health emergencies, coupled with the increased scale and frequency of natural disasters, the humanitarian crisis in Ukraine and the resulting arrival of large numbers of refugees in the EU, has placed the SEAR under extreme strain; expects, further, that the dramatic consequences of the unprecedented wildfires in the summer of 2022, which follow on from the major floods and wildfires in the summer of 2021, will require significant financial support, including from the SEAR;

9. Recalls that the MFF is increased annually on the basis of a 2 % deflator applied to 2018 prices; underlines that spiralling energy prices and extreme energy market volatility caused mainly by Russia's decision to cut gas supplies have been driving soaring inflation, with severe impacts on people and businesses; is deeply concerned that such unexpectedly high levels of inflation are placing the MFF under severe strain, reducing its purchasing power further and squeezing its operational and administrative capacity in a context where its overall level is already lower than previous MFFs as a share of EU Gross National Income (GNI); stresses that, in practice, this means that fewer Union projects and actions can be funded, thereby negatively affecting beneficiaries and the Union's capacity to deliver on its shared political goals;

10. Recalls, further, that, despite Parliament's demands that the European Union Recovery Instrument (EURI) be placed over and above the ceilings, its refinancing costs are repaid from within the MFF ceilings, exerting further pressure on the MFF and jeopardising funding for programmes already agreed, especially in a context of rising interest rates and NGEU borrowing costs; points, in that regard, to the non-discretionary increase in appropriations on the EURI line by EUR 280 million in the adopted budget for the financial year 2023 compared with the Commission's draft budget, thereby eating into the Single Margin Instrument and curtailing the budget's ability to respond to emerging needs;

11. Observes the continuing demand for the EU budget to serve as a guarantee for additional macro-financial assistance (MFA), in particular for countries directly affected by the war; welcomes the Union's vital support through MFA; underlines that, in the event of default or the withdrawal of national guarantees, the EU budget ultimately underwrites all MFA loans and therefore bears significant and inherently unpredictable contingent liabilities;

12. Emphasises, therefore, that the current MFF has already been pushed to its limits less than two years after its adoption, a situation aggravated by the unforeseeable events of 2022; points out that it is simply not equipped, in terms of size, structure or rules, to respond quickly and effectively to a multitude of crises of this scale nor to adequately finance new shared EU policy ambitions and the swift implementation of the requisite EU-wide solutions; is very concerned that the current MFF leaves the Union ill-

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[1] Proposal of 19 July 2022 for a regulation on establishing the European defence industry Reinforcement through common Procurement Act (COM(2022)0349).

equipped to respond to any potential future crises and needs and to fulfil its strategic role in the international arena;

13. Concludes that the need for an urgent revision of the MFF is beyond any doubt and that a ‘business as usual’ approach will not remotely suffice to tackle the array of challenges posed and could thereby undermine confidence in the Union;

Addressing the funding gaps – more financial capacity with greater transparency and democratic accountability

14. Calls on the Commission, therefore, not only to conduct an in-depth review of the functioning of the current MFF but also to proceed with a legislative proposal for a comprehensive, ambitious revision of the MFF regulation and its annex as soon as possible and no later than the first quarter of 2023; stresses that the MFF revision must not lead to any downwards revision of the pre-allocated national envelopes or EU programmes;

15. Strongly believes that the revision must address the soaring needs and the exhaustion of the means available under the MFF for the Union to provide necessary solutions; insists, moreover, that the revision must remedy the most serious shortcomings in the functioning of the MFF, provide new funding for new political priorities and equip the Union with the necessary tools to confront upcoming challenges and crises in an effective manner;

16. Stresses the need for an upscaled MFF to ensure a stronger and more agile EU budget which meets the highest standards of transparency and democratic accountability; requests, therefore, an increase in the MFF ceilings, as well as an increase in and redesign of budgetary flexibility;

17. Stands ready to engage in fully-fledged negotiations with the Council and the Commission on the MFF revision, building on past practice and the IIA, whereby the institutions have committed to seeking to determine specific arrangements for cooperation and dialogue throughout the procedure leading to the adoption of a substantial revision of the MFF;

18. Insists that the principle of unity, whereby all items of the Union’s revenue and expenditure are shown in the budget, is both a Treaty requirement and a basic precondition for accountability, democratic legitimacy and the transparency of the EU’s public finances; stresses the need for significantly greater parliamentary control over all EU spending, including off-budget instruments, funds, and common borrowing and lending activities; reiterates that all new instruments should be under the purview of the budgetary authority;

19. Underlines, in this context, that the MFF revision should go hand-in-hand with the ongoing revision of the Financial Regulation, which should directly incorporate the necessary changes in the rules governing the establishment and implementation of the EU budget; considers, therefore, that it is necessary to expand the scope of the proposed targeted revision of the Financial Regulation, in order to address all relevant aspects;

20. Underlines the importance of the horizontal principles that underpin the MFF and all related EU policies, in particular with regard to delivering on the Union’s climate and

biodiversity targets and promoting gender equality; insists that the revision must keep these principles at the heart of the MFF and deliver on the Union’s commitment to ensuring an equitable, resilient, sustainable and socially fair recovery for all, including the implementation of the revised 2030 framework for Union climate, energy and environmental targets with the objective of making the EU climate neutral by 2050;

21. Reaffirms its long-standing position that new political initiatives, objectives or tasks funded through the EU budget must be financed with additional fresh money and not through redeployments to the detriment of well-established, pre-existing Union programmes or policies agreed by the legislator;

Heading 1: Single Market, Innovation and Digital

22. Calls for an increase in the ceiling of Heading 1 on the grounds that the margins are insufficient to accommodate the greater needs and because it opposes the use of agreed programme envelopes to finance new initiatives;

23. Highlights that many of the policy ambitions recently set out– notably in the fields of energy and strategic and industrial autonomy – and the new policy initiatives since January 2021 (Chips Act, Secure Connectivity, Health Emergency Preparedness and Response Authority, New European Bauhaus) should entail additional spending under Heading 1;

24. Emphasises the key role that funding under Horizon Europe, Digital Europe, the Single Market Programme and the Connecting Europe Facility (CEF) play in stimulating innovation, supporting businesses and driving the green and digital transitions;

25. Looks forward to the Commission's proposal for the new European Sovereignty Fund intended to secure the strategic autonomy of the Union and reduce dependence on non-EU countries in key sectors; considers it essential for the proposal to responds real needs, to be based on a clear assessment of the costs and investment gaps and to provide for fresh money; insists that any such new fund should be established according to the ordinary legislative procedure and be incorporated into the MFF, thereby ensuring full oversight by Parliament; considers that the MFF ceilings should be adjusted to accommodate the Fund;

Heading 2a: Cohesion

26. Calls for agreed financing under Heading 2a not to be undermined and for it to be preserved for its intended purpose; invites the Commission to assess whether it is sufficient to respond to emerging needs in cohesion policy;

27. Underlines that the temporary and short-term flexibility introduced into cohesion policy funds through the series of Cohesion’s Action for Refugees in Europe (CARE) proposals have helped Member States to deal quickly with the impact of the war against Ukraine, following on from the model of the Coronavirus Response Investment Initiatives (CRII and CRII+), which allowed the EU to act at the beginning of the COVID-19 pandemic;

28. Welcomes the Union’s ambition to step up its efforts to fight the alarming child poverty rates and to contribute to the eradication of child poverty via the recently created European Child Guarantee; warns, however, that the current crises have exacerbated

and will further exacerbate the current deteriorating situation for children in or at risk of poverty, and will have long-lasting consequences; reiterates its call for an urgent increase in funding for the European Child Guarantee with a dedicated budget of at least EUR 20 billion for the period 2021-2027 and insists on making this dedicated budget part of the revised MFF and reinforced ESF+; calls on the Commission, moreover, to make available – and on the Member States to make full use of – all available resources to effectively implement the Child Guarantee, including the ESF+, ReactEU and the RRF;

29. Stresses that, while crisis response measures are necessary and useful, cohesion policy is not a crisis response tool; is concerned that cohesion policy is increasingly being used to reinforce other policies and to make up for shortcomings in budgetary flexibility or crisis response mechanisms in the MFF; is of the opinion that the existing possibility of transfers from the cohesion policy funds to other programmes of up to 5 % of the initial allocation provides for sufficient flexibility;

30. Stresses that the MFF revision must not lead to any downwards revision of the pre-allocated national envelopes; emphasises that the agreement on the MFF for 2021-2027 and on the cohesion policy package was adopted late, and that coupled with the COVID-19 crisis this led to a slow start to the programming process and disruption to projects, but not because of the policy itself; calls on the Commission to ramp up administrative simplification efforts; underlines that the delayed start does not in any way call into question the pivotal role and added value of cohesion policy as an essential Union investment policy and convergence instrument;

Heading 2b: Resilience and Values

31. Calls for the budget line dedicated to the repayment of EURI borrowing costs to be removed from Heading 2b and placed outside the headings, and for those costs to be counted over and above the MFF ceilings;

32. Regrets that the costs of EURI borrowing and the repayment of debt have been included as a budget line under Heading 2b for the 2021-2027 period, alongside flagship programmes such as Erasmus+, EU4Health, Creative Europe and Citizens, Equality, Rights and Values;

33. Stresses that interest costs and debt repayment depend on market developments, are not discretionary spending, do not follow the logic of caps on spending and should never compete with spending programmes; recalls that any activation of the Emergency Support Instrument also depends on the availability of an unallocated margin under the ceiling of this heading; notes with concern that steeply rising interest rates are affecting sovereign issuers; cautions that the costs of funding have recently increased significantly due to the challenging market conditions and that there is considerable uncertainty as to long-term interest rates; insists, therefore, that the status quo presents significant risks to programme spending and to the MFF’s capacity to respond to emerging needs;

34. Stresses the vital importance of the EU4Health programme and of the Union education, culture, youth and values programmes in supporting the relevant sectors in the wake of the pandemic and combatting disinformation; emphasises that the European Social Fund+ is one of the key drivers for strengthening the social dimension of the Union;

regrets that Erasmus+, as a programme with relatively stable year-on-year demand, has a heavily backloaded financial profile in the current MFF;

Heading 3: Natural Resources and Environment

35. Calls for the ceiling of Heading 3 to be adjusted as soon as possible in order to fully accommodate the Social Climate Fund (SCF), while agreed financing under Heading 3 should not be undermined and be preserved for its intended purpose;

36. Reiterates its position that the SCF must be fully incorporated into the EU budget and within the MFF, without negatively impacting other programmes and funds under this heading, bearing in mind the importance of ensuring food security and delivering on the Green Deal; reminds the other arm of the budgetary authority of its obligation to respect the unity of the budget;

37. Highlights the importance of the common agricultural policy (CAP) in providing reliable support for farmers to enhance food security; recalls that the capacity of farmers to withstand inflation pressure and increased input prices while delivering on this objective is affected by variations in CAP payments; underlines that small-scale and young farmers are particularly vulnerable and affected by limited investment opportunities; emphasises the key role played by the LIFE programme in supporting climate action, nature conservation and environmental protection;

Heading 4: Migration and Border Management

38. Calls for the ceiling of Heading 4 to be increased to reflect current reality and the real financing needs of the Union’s migration and border management policies and programmes;

39. Emphasises that the war against Ukraine and the subsequent decision to trigger the Temporary Protection Directive will entail a longer-term financial commitment to support Member States, placing unexpected demands on the Asylum, Migration and Integration Fund (AMIF), the Border Management and Visa Instrument (BMVI) and creating additional responsibilities for the decentralised agencies in Heading 4; expresses concern, furthermore, that successive Commission proposals for agency mandate extensions are eroding the BMVI’s financial envelope;

Heading 5: Security and Defence

40. Calls for an increase in the ceiling of Heading 5;

41. Calls for a swift revision of the MFF to increase EU defence instruments such as the European Defence Fund, military mobility and future joint procurement mechanisms for EU defence, namely the European Defence Industry Reinforcement through common Procurement Act and the European Defence Investment Programme, provided that they reinforce the EU’s Defence Technological and Industrial Base and ensure European added value;

42. Notes, in light of the very different geopolitical context, the Commission’s proposal for a European Defence Industry Reinforcement through common Procurement Act for the period 2022-2024 and its intention to put forward a proposal for a European Defence Investment Programme for the period thereafter, designed to introduce joint

procurement and life cycle management of military capabilities; highlights that the necessary spending to enhance defence cooperation and investment cannot be covered within the ceiling of Heading 5; underlines the need for investment to strengthen security policy and finance technological innovation in a constantly evolving security landscape;

Heading 6: Neighbourhood and the World

43. Calls for an increase in the ceiling of Heading 6 to fully cover current and projected future needs in the Union's external action and to create sufficient capacity to respond to crises and emerging needs;

44. Deplores the fact that, even prior to the war against Ukraine, funds available under Heading 6 were woefully inadequate and that pressure on this heading has since increased substantially; underlines that continued funding for the needs of refugees from Syria, Iraq and other countries was not factored into the MFF or Neighbourhood, Development and International Cooperation (NDICI)-Global Europe instrument budgets and should therefore have been financed by fresh appropriations with a corresponding increase in the ceiling of Heading 6 rather than through redeployments;

45. Notes the rapid deterioration of the international context since the beginning of the MFF, both in neighbouring countries and beyond, as a result of the food, energy, climate and economic crises, which have dramatically increased pressure on Heading 6; notes that, in addition to repeated recourse to the Flexibility Instrument, the NDICI-Global Europe cushion has been depleted very quickly and used beyond its core purpose of responding to emerging challenges and priorities, in particular for the provisioning of MFA; considers that enhanced crisis response is essential given the multitude of global challenges;

46. Underscores that humanitarian aid under Heading 6 has been stretched to its limits, requiring repeated reinforcements; insists that enhanced funding for humanitarian aid (HUMA) and the rapid response pillar of NDICI-Global Europe are essential if the Union is to not only provide assistance to Ukraine, but also to ensure support for communities and regions in need and deliver on its ambition of being a leading humanitarian donor; underlines that additional needs in Ukraine must not lead to money being diverted away from other geographic regions in need, in particular from the Eastern and Southern Neighbourhood, or from thematic priorities;

47. Underlines the importance of providing further support to Ukraine through MFA; highlights that a far higher rate of provisioning than the standard 9 % is required for loans to Ukraine owing to the increased risk of default; takes notes in this context, of the Commission's proposals of 9 November 2022[1]; underlines that the way forward is to go from an ad hoc to a structural approach;

48. Underlines that the decision to grant Ukraine and Moldova candidate country status will mean support is provided under the Pre-Accession Instrument (IPA) in lieu of NDICI-Global Europe, potentially necessitating a revision of the relevant legal basis; insists on

[1] COM(2022)0595, COM(2022)0596, COM(2022)0597.

the need for support to other candidate countries, particularly in the Western Balkans, to be maintained at its current level;

49. Calls on the Commission to ensure the Union lives up to its international climate commitments and in particular to provide funding to international climate finance and the relevant programmes under NDICI-Global Europe;

Heading 7: European Public Administration

50. Calls for spending under Heading 7 to be set at a level that guarantees that the EU has an effective and efficient administration;

51. Insists that sufficient means be allocated to institutions, bodies and agencies of the Union to ensure effective implementation and enforcement of all Union legislation and policies in line with evolving tasks; recalls the importance of properly resourcing a reinforced cybersecurity framework for the Union's institutions, bodies and agencies;

52. Calls for the swift adoption of the targeted revision of the Financial Regulation in relation to the handling of default interest for the late repayment of cancelled or reduced competition fines, so as to avoid pressure on spending under Heading 7; points out that Parliament has adopted its position and stands ready to negotiate; encourages the Council to treat this proposal as a priority and enter into negotiations with Parliament;

Payment appropriations

53. Recalls that payment appropriations flow directly from commitments, and, therefore, that any increase in the ceilings for commitments per heading will have to be accompanied by a commensurate increase in the ceiling for payments for the same or subsequent years;

54. Notes the delays in programme implementation and calls on the Commission to conduct a risk analysis of the potential impact on the payments ceiling as part of the review and to make the necessary proposals in the MFF revision with a view to avoiding a payments crisis that would severely affect beneficiaries of the EU budget;

55. Warns, furthermore, of the use of external assigned revenue subject to market fluctuations as a substitute for appropriations under the MFF and the risk that this may pose for honouring payments;

Own resources

56. Points out that the MFF and own resources are interlinked; emphasises, in this context, the need for sustainable and resilient revenue for the EU budget; recalls that in the legally binding IIA, Parliament, the Council and the Commission committed to a roadmap towards the introduction of sufficient new own resources to at least cover the repayment of EURI debt;

57. Reiterates its long-standing position that own resources reform is necessary to better align the revenue side of the EU budget with the EU's broader policy priorities; expects, therefore, the scope, design and composition of the basket of new own resources not only to secure additional income flows, but to also help address pressing policy issues in an economic environment marked by inflation and high energy prices;

58. Calls on the Council to make swift progress with the December 2021 proposals for new own resources; underlines that, in line with the roadmap, new own resources stemming from the proposals on the reformed Emissions Trading System and the Carbon Border Adjustment Mechanism are supposed to be introduced on 1 January 2023; stresses that the new own resource based on the OECD/G20 inclusive framework pillar I is also due to be introduced by the same date;

59. Looks forward to the Commission's proposals for a second batch of new own resources due in the third quarter of 2023; expresses its confidence that rapid and determined action to reform own resources will in particular secure the EU's strong credit rating, which remains a *sine qua non* given the multiple challenges; calls on the Commission, moreover, given the increased financing needs, to reflect beyond the IIA and to examine the need for further new, innovative and genuine own resources;

Flexibility and crisis response in the EU budget: from ad hoc responses to systemic and long-term preparedness

60. Emphasises that the EU budget must be equipped with the necessary flexibility and budgetary 'space' to be able to respond to crises and adapt to emerging and growing needs; underlines the need for an overhaul of crisis response and flexibility instruments to ensure that they are of the required magnitude , may be activated rapidly and remain under the full purview of both arms of the budgetary authority;

61. Considers that the sharp rise in inflation and its knock-on effects on the EU budget's purchasing power have further limited the necessary space and had an impact on the programmes it funds; calls on the Commission to assess the scope for introducing a temporary adjustment mechanism to derogate from the 2 % automatic deflator in the event of inflation shocks;

62. Insists that decommitted appropriations should remain in the budget and should be committed by the budgetary authority through the annual budgetary procedure; underlines the need for corresponding changes to the Financial Regulation; points out that the level of research decommitments alone has been substantial in the early part of the current MFF; emphasises that additional budgetary flexibility will be achieved by keeping decommitments in the budget;

63. Recalls that the special instruments are outside the MFF ceilings, thereby ensuring a degree of flexibility and the ability to respond to crises, and that they are only to be mobilised following a decision by the budgetary authority; points to the extensive use made of the special instruments in the first two years of the MFF;

64. Considers that the special instruments are constrained both by scarcity of resources and rigidity of design, hampering their ability to serve as effective crisis response tools; stresses, therefore, that the revision is imperative to broadening the potential of the existing flexibility provisions; regrets the decision to merge the Emergency Aid Reserve (EAR) and the EUSF in the current MFF, which has led to serious shortcomings, and to reduce the overall funding available by about half;

65. Calls for annual appropriations for the Flexibility Instrument to be increased from EUR 915 million to EUR 2 billion; calls, in addition, for the SEAR to be split into two strands – the EAR and the EUSF – and for annual appropriations to be increased from

EUR 1,2 billion for the SEAR overall to EUR 1 billion for each strand in 2018 prices; considers that this will provide vital additional resources to respond to current and emerging needs, in particular in light of the intensification and multiplication of extreme weather events and in view of the global humanitarian situation;

66. Requests that both the annual cap in commitment and in payment appropriations for recourse to the Single Margin Instrument (SMI) be scrapped;

67. Emphasises further that the various special instruments are subject to different carry-over rules and calls for the harmonisation of these rules so that amounts may be used up to year n+3 for all special instruments, thereby creating additional flexibility; insists that lapsed amounts after year n+3 be made available once more under the Flexibility Instrument or the Single Margin Instrument;

68. Insists that, beyond a reinforcement of the existing special instruments, it is necessary to establish an additional permanent special instrument over and above the MFF ceilings so that the EU budget can better adapt and quickly react to crises and their social and economic effects; calls on the Commission to ensure this common crisis instrument can be effectively and swiftly activated as needs arise;

69. Emphasises that cohesion policy is one of the key priorities of the Union, has long-term investment objectives linked to the EU's strategic agenda, in particular the European Green Deal and the Digital Agenda, and should not be used to replenish funding for other policies;

Assessing new features of the current MFF and preparing the ground for the post-2027 MFF in support of a more resilient EU budget

70. Points out that the current MFF and the IIA incorporate a number of new features not in previous programming periods that should be thoroughly examined as part of the mid-term review and revision;

71. Considers that, while the new MFF structure with headings that group spending by policy cluster is simpler and facilitates budgetary management within the Commission; believes that the nomenclature - with a reduced number of budget lines and sometimes a single line covering a broad spending programme as is the case for the Asylum, Migration and Integration Fund and the Border Management and Visa Instrument - lacks the necessary granularity and transparency and significantly limits proper oversight and decisions by the budgetary authority; expects the Commission to review the changes in structure and nomenclature before the new MFF period;

72. Welcomes the positive impact of the Regulation on a general regime of conditionality for the protection of the EU budget and believes that it has already acted as an effective deterrent against breaches of the rule of law in the use of EU funds; emphasises the clear link between respect for the rule of law and efficient implementation of the EU budget and calls on the Commission to ensure robust enforcement of the Conditionality Regulation; notes that any upscaling of the 2021-2027 MFF should aim to reinforce the protection of the rule of law and the Union's financial interests; insists, furthermore, on the obligation to comply with the Charter of Fundamental Rights of the European Union when implementing the EU budget;

73. Reiterates the need for increased transparency of EU spending and calls for the introduction of a mandatory single interoperable database to enable monitoring of direct and ultimate beneficiaries of EU funds in a machine-readable format and thus provide a clear overview of all recipients of EU funding; welcomes the Commission’s proposal on the recast of the Financial Regulation of 16 May 2022 as a reasonable starting point for the creation of an interoperable digital system for audit and control purposes; notes that the Commission proposed these changes to take effect in the post-2027 MFF; underlines, however, that a more ambitious transition is feasible and desirable; stresses, furthermore, the need for information to be made more easily accessible for the public;

74. Recalls the targets related to climate and biodiversity laid down in the IIA; reminds the Commission of its obligation under the IIA to regularly take stock of the progress of climate mainstreaming efforts and examine whether the targets have been reached or are on track; calls on the Commission to monitor the implementation of the ‘do no significant harm’ principle and to take necessary corrective measures if and when needed;

75. Stresses the need for a significant improvement of climate and biodiversity mainstreaming methodologies and to ensure that climate and biodiversity spending is genuinely additional when being counted towards the respective minimum spending targets, in line with the proposals of the European Court of Auditors and Parliament;

76. Expects more ambitious financial commitments in the current and upcoming MFF in line with the EU’s global commitment to address climate change and halt biodiversity loss; expects all commitments and pledges on international climate financing to be fully planned in line with the global negotiations; calls on the Commission to ensure that the agreed 2026 and 2027 biodiversity mainstreaming targets are met; asks the Commission to assess how climate and biodiversity targets can be better integrated within the post-2027 MFF in order to ensure the Union delivers on its commitments;

77. Reiterates that programmes should be implemented in a way that promotes gender equality in the delivery of their objectives; welcomes, in this regard, the Commission's work on a new classification to measure the gender impact of Union spending; considers that the classification should provide an accurate and comprehensive representation of the impact of programmes on gender equality; calls for the classification to be extended to all MFF programmes and to be better integrated into the MFF framework; stresses, in this regard, the need for systematic collection and analysis of gender-disaggregated data; expects all gender-relevant reporting to be based on volumes and not number of actions;

78. Calls on the Commission to track the implementation of the United Nations Sustainable Development Goals (SDGs) in all relevant MFF programmes as per the IIA and therefore to develop a robust methodology to track SDG-related and social spending within the EU budget;

79. Recalls that the current MFF was accompanied by NGEU, an unprecedented instrument to boost recovery in the wake of the pandemic; considers that this instrument has been successful so far and should be fully implemented;

80. Considers that the Union is playing an increasingly important role in providing support for employment protection and income compensation in crisis situations and ensuring a

just transition to a carbon neutral society; underlines in this context, the instrumental role of the instrument for temporary support to mitigate unemployment risks in an emergency (SURE) in providing support to temporary work schemes and workers in the Member States and in mitigating unemployment risks; calls on the Commission to assess the impact of SURE and how it can be built upon for future Union action in the context of social crises;

81. Points out that many recent spending needs, in areas such as economic and social recovery, climate change-related policies and funding linked to the Ukraine crisis, do not follow the traditional logic of medium-term investment predictability; considers the SCF and defence, crisis response and emergency intervention spending to be cases where there is a clear-cut rationale for EU action; expects this trend towards a more diversified expenditure landscape to continue as the scope and depth of EU cooperation progresses; underlines, therefore, the need for a properly constructed and adaptable MFF so that the design of the EU budget enables the EU to take on new tasks and functions without diverting resources away from agreed programmes and priorities;

82. Underlines that many of the shortcomings and inadequacies in the current MFF are inherent in its logic and design, where predictability of spending drives decisions on structure and amounts and curbs flexibility;

83. Regrets 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; considers that this has prevented the Union from delivering on its agreed ambitions and deprived it of the ability to respond to crises and emerging needs while ensuring democratic accountability;

84. Insists that the successor to the current MFF should be equipped to deal fully and flexibly with a range of policy priorities and spending needs and to ensure resilience in the event of crises; considers that raising the own resources ceiling would create the budgetary 'space' to respond to crises and emerging needs, while still guaranteeing predictability of spending; calls on the Commission, therefore, to review the whole architecture of the MFF, including the duration of programming periods, as part of a longer-term reflection on the EU budget post-2027 in the light of evolving spending needs;

85. Deplores the fact that, following the necessary introduction of NGEU and SURE, the Commission has repeatedly proposed the use of off-budget instruments, in particular under Article 122 TFEU, which do not require Parliament oversight and thus undermine the transparency and accountability of public spending; considers, in this regard, that an annual plenary debate in Parliament on all EU finances, including off-budget instruments, will be an important step towards enhancing transparency and accountability;

86. Intends to monitor very closely the implementation of the agreement on budgetary scrutiny of new proposals based on Article 122 TFEU, which was part of the MFF agreement; recalls that such proposals often entail appreciable budgetary implications that can have an impact on the development of EU expenditure; is determined to ensure Parliament plays an appropriate role and is involved in this process as an equal arm of the budgetary authority;

87. Stresses that the trend towards increased use of external assigned revenue is not a satisfactory solution under the current rules, as it weakens the role of the budgetary authority (Parliament and the Council), thereby undermining democratic scrutiny and reducing the transparency of the EU's finances; demands legally sound solutions that allow for targeted, one-off or needs-based top-ups with the same advantages as earmarked revenue (i.e. not counted against the ceilings), but that are at the same time subject to full control by the budgetary authority; recalls its commitment to the universality principle;

88. Highlights that the ongoing revision of the Financial Regulation should adapt the rules governing budgetary instruments to current circumstances, where external assigned revenue, borrowing and lending operations, trust funds and instruments under Article 122 TFEU are being used with greater frequency despite often bypassing the community method and therefore the scrutiny of the budgetary authority, and thus diminishing the traceability of funds and accountability;

89. Points, in particular, to the declaration on reassessing the external assigned revenue and borrowing and lending provisions in the Financial Regulation that was agreed in the MFF negotiations; considers that external assigned revenue, as well as assets and liabilities linked to borrowing and lending operations, should form an integral part of the EU budget and be adopted by the budgetary authority as part of that budget;

90. Repeats its long-standing demand that all EU instruments covering spending at EU level, including trust funds, be fully incorporated into the budget in accordance with the Treaty, thereby ensuring transparency, full democratic control and protection of the EU's public finances and financial interests; insists, however, that the integration of these instruments into the EU budget must not result in a reduction of financing for other EU policies and programmes;

91. Highlights the Modernisation Fund and the Innovation Fund (Climate Investment Fund) as prominent cases in this context; calls on the Commission to propose their full inclusion in the post-2027 MFF with the relevant quasi-automatic adjustment of ceilings;

92. Underlines that the unanimity requirement for adoption of the MFF Regulation impedes the necessary decisions in the revision process; calls on the Commission to build on the work of the Conference on the Future of Europe on the budget; considers, in line with the Conference's proposals, that the ordinary legislative procedure should apply to the adoption of the MFF Regulation and to the Own Resources Decision so that Parliament acquires the full budgetary prerogatives enjoyed by national parliaments; believes, furthermore, that the design of the MFF should be a bottom-up process based on extensive involvement of stakeholders;

93. Recalls that the *passerelle* clause set out in Article 312(2) TFEU allows for the adoption of the MFF Regulation by qualified majority and calls on the European Council to activate it to expedite decision-making;

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94. Instructs its President to forward this resolution to the Council and the Commission.