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DRAFT REPORT

on the preparation of the post-electoral revision of the MFF 2014-2020:
Parliament's input ahead of the Commission's proposal
(2015/2353(INI))

Committee on Budgets

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CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	3

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**on the preparation of the post-electoral revision of the MFF 2014-2020:
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The European Parliament,

- having regard to Article 311, 312 and 323 of the Treaty on the Functioning of the European Union,
- having regard to Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020¹, and in particular Article 2 thereof,
- having regard to Council Regulation (EU, Euratom) 2015/623 of 21 April 2015 amending Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020²,
- having regard to Council Decision 2014/335/EU, Euratom of 26 May 2014 on the system of own resources of the European Union³,
- having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management⁴,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002⁵,
- having regard to its resolution of 15 April 2014 entitled 'MFF negotiations 2014-2020: lessons learned and the way forward'⁶,
- having regard to its resolution of 12 December 2013 on the relations between the European Parliament and the institutions representing the national governments⁷,
- having regard to its resolutions of 19 November 2013 on the MFF 2014-2020⁸ and on the Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management⁹,

¹ OJ L 347, 20.12.2013, p. 884.

² OJ L 103, 22.4.2015, p. 1.

³ OJ L 168, 7.6.2014, p. 105.

⁴ OJ C 373, 20.12.2013, p. 1.

⁵ OJ L 298, 26.10.2012, p. 1.

⁶ Texts adopted, P7_TA(2014)0378.

⁷ Texts adopted, P7_TA(2013)0599.

⁸ Texts adopted, P7_TA(2013)0455.

⁹ Texts adopted, P7_TA(2013)0456.

- having regard to its resolution of 3 July 2013 on the political agreement on the MFF 2014- 2020¹,
 - having regard to its resolution of 13 March 2013 on the multiannual financial framework²,
 - having regard to its resolution of 23 October 2012 on the interests of achieving a positive outcome of the MFF 2014-2020 approval procedure³,
 - having regard to its resolution of 8 June 2011 entitled ‘Investing in the future: a new MFF for a competitive, sustainable and inclusive Europe’⁴,
 - having regard to Rule 52 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgets and the opinions of the Committee on..... (A8-0000/2016),
- A. whereas the current multiannual financial framework (MFF) was adopted for the first time under the new provisions of the Treaty of Lisbon, according to which the Council, acting in accordance with a special legislative procedure, shall unanimously adopt the MFF regulation after having obtained the consent of the European Parliament;
- B. whereas, in order to ensure the democratic legitimacy of the new MFF and to give the opportunity to the new Commission and the newly elected Parliament of reconfirming and reassessing the EU’s political and budgetary priorities by adjusting the MFF accordingly, a post-electoral revision clause was requested by Parliament;
- C. whereas the agreement on the MFF 2014-2020 was the outcome of a long and strenuous process of negotiations which took place in a very difficult social, economic and financial context; whereas as a consequence the overall level of the MFF was effectively reduced compared to the previous programming period;
- D. whereas, faced politically with the impossibility of changing the overall MFF figures decided by the European Council, Parliament successfully negotiated the inclusion of a specific article in the MFF regulation relating to a compulsory and comprehensive review/revision of the MFF, the establishment of new and enhanced flexibility provisions, and the setting-up of a High Level Group on Own Resources;

Legal framework and scope of the mid-term review/revision

1. Recalls that in accordance with Article 2 of the MFF Regulation, the Commission shall present a compulsory review of the functioning of the MFF before the end of 2016, taking full account of the economic situation at that time as well as of the latest macroeconomic projections, and that this review shall, as appropriate, be accompanied by a legislative proposal for the revision of the MFF Regulation;

¹ Texts adopted, P7_TA(2013)0304.

² Texts adopted, P7_TA(2013)0078.

³ Texts adopted, P7_TA(2012)0360.

⁴ Texts adopted, P7_TA(2011)0266.

2. Considers, in this respect, that while a review aims at assessing and evaluating the functioning of the MFF against its implementation, new economic conditions and other new developments, and as such could maintain the legislative status quo, a revision implies a modification of the MFF Regulation, which also includes (besides the legislative provisions) the MFF ceilings, on a basis of due respect for Article 312 TFEU and the limitations on the scope of the MFF revision laid down in the last sentence of Article 2 of the MFF Regulation; recalls that this article stipulates that the pre-allocated national envelopes shall not be reduced through a revision; stresses in this context that Article 323 TFEU requires that the financial means to fulfil the Union's legal obligations in respect of third parties are being ensured;
3. Recalls that Article 311 TFEU states that the Union shall provide itself with the means necessary to attain its objectives and carry through its policies; considers, therefore, that should the review arrive at the conclusions that the current ceilings were too low, it would be a primary law requirement to increase the ceilings;
4. Underlines that the scope of this report is to analyse the purely budgetary aspects of the functioning of the MFF and that it will not touch on the legal bases of sectoral legislation; notes, however, that many EU policies and programmes foresee their own review/revision requirements, mainly scheduled for 2017;

I. Review of the MFF – assessing its first years

5. Considers that a review of the MFF in 2016 should take stock of a number of serious crises and new political initiatives, together with their respective budgetary consequences, which were not anticipated at the time of the MFF's adoption; notes, inter alia, the migration and refugee crisis, external emergencies, internal security issues, the crisis in agriculture, the funding of the European Fund for Strategic Investments (EFSI), the persistent high level of unemployment, especially among young people, and the payment crisis in the EU budget; observes that, in order to finance the additional pressing needs, an unprecedented recourse to the MFF's flexibility mechanisms and special instruments was deemed necessary, as the MFF ceilings proved to be too tight in some headings; considers that, over the past two years, the MFF has essentially been pushed to its limits;

a. Key events and challenges

Migration and refugee crisis

6. Stresses that the conflicts in Syria, the Middle East and several regions in Africa have had humanitarian, security and migratory consequences on an unprecedented scale; recalls that the EU has been directly impacted, with more than one million refugees reaching Europe in 2015 alone and more expected in the coming years; recalls that this crisis led to a major financial response on the EU's part and hence had a significant impact on the EU budget, notably on headings 3 (Security and Citizenship) and 4 (Global Europe);
7. Recalls that in the course of 2015 the additional measures approved in line with the European Agenda on Migration have had an immediate budgetary impact, as notably reflected in amending budgets 5 and 7/2015; furthermore recalls that the utilisation of an

additional EUR 1 506 million in EU budget 2016 by mobilising the Flexibility Instrument was approved in order to provide additional resources for migration/refugee-related measures under Heading 3, such as topping-up of the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF), as well as resources for the three migration-related agencies, namely Frontex, the European Asylum Support Office (EASO) and Europol;

8. Notes that the above-mentioned budgetary decisions have completely exhausted the small margin available under this heading and have led to a de facto revision of the ceilings of Heading 3; furthermore draws attention to the new Commission proposals which are expected to have an impact on the EU budget, notably the proposal for the establishment of the European Border and Coast Guard Agency, with an overall budget of EUR 1 212 million for the remainder of the MFF period, and the new emergency support mechanism, with an estimated impact of minimum EUR 700 million in the period 2016 to 2018; stresses that the situation is so critical that the additional appropriations authorised for the Asylum, Migration and Integration Fund (AMIF) in November 2015 had to be reduced in March 2016 so as to finance even more pressing needs, such as the need to provide humanitarian aid in the EU, addressed by the above-mentioned new emergency support mechanism;
9. Stresses that significant budgetary means have been deployed to tackle the root causes of the refugee and migration crisis by reinforcing specific EU programmes under Heading 4; recalls the reallocations in favour of migration/refugee-related actions of EUR 170 million in the course of 2015, as well as the approval in 2016 of an additional EUR 130 million under Heading 4 for migration/refugee-related activities, together with the reshuffling of EUR 430 million under the Instrument for Pre-accession Assistance, the Development Cooperation Instrument and the European Neighbourhood Instrument; recalls, furthermore, that in order to address the external dimension of the migration and refugee crisis the Commission has made various additional proposals having an impact on the EU budget, such as those for the establishment of EU trust funds (the Madad Trust Fund and the Emergency Trust Fund for Africa, with an estimated initial budgetary impact of EUR 570 million and EUR 405 million respectively), as well as of the Refugee Facility for Turkey, for which EUR 1 billion is to be funded from the EU budget, not counting possible additional funding; stresses that further pressure on the Union budget might arise from other planned actions announced by the Commission such as the 'London pledge' or from events such as the EU-Turkey summit of 18 March 2016; is concerned, however, that owing to the magnitude of the problems the EU is facing further actions might still be required;
10. Concludes that the activities planned by the Commission to cope with the migrant and refugee crisis could not have been foreseen at the time of the conclusion of the MFF 2014-2020; highlights the fact that owing to the lack of sufficient resources the EU has had to set up ad hoc, 'satellite' instruments such as EU trust funds and the Refugee Facility for Turkey; stresses, however, that Member States have not yet delivered on their contribution pledges to the trust funds, thus undermining the success of those funds;

Low level of investment

11. Recalls that, since the global economic and financial crisis, the EU has suffered from low

levels of investment; notes in particular that in 2014 total investment was 15 % below the 2007 level, which corresponds to an investment drop of EUR 430 billion; considers that weak investment slows economic recovery and has direct repercussions on growth, jobs and competitiveness;

12. Underlines that, in response to this pressing problem, the new Commission in 2014 proposed an investment plan for Europe and the establishment of EFSI, with the aim of mobilising EUR 315 billion in new investment in the real economy; notes that the guarantee provided by the Union for EFSI is covered by a Guarantee Fund of EUR 8 billion constituted in the EU budget;
13. Recalls that, in order to secure this additional funding, the financial allocation for two significant EU programmes, Horizon 2020 and the Connecting European Facility (CEF), has had to be reduced by EUR 2.2 billion and EUR 2.8 billion respectively, while the remaining EUR 3 billion are covered by unallocated MFF margins; stresses Parliament's commitment during the EFSI negotiations to reduce as much as possible the impact on these two programmes, whose financial envelopes were decided only in 2013;
14. Highlights, in this context, that in accordance with Article 15 of the MFF Regulation, a frontloading of resources was implemented in 2014-2015 for Horizon 2020 (EUR 200 million for European Research Council and Marie Curie actions) and COSME (EUR 50 million), in order to compensate in part for the decrease in appropriations between 2013 and 2014; notes that this frontloading does not change the overall financial envelope of the programmes, leading to less appropriations respectively for the second half of the MFF; stresses, however, that the frontloading for Horizon 2020 and COSME was fully absorbed, thus proving the strong performance of these programmes and their capacity to absorb even more;
15. Notes also with great concern that the success rate for Horizon 2020 has dropped to a level of 13 % from the 20-22 % enjoyed by its predecessor (FP7) in the previous programming period; regrets the fact that as a result fewer high-quality projects in the field of research and innovation are receiving EU funding; notes, similarly, the rejection of many high-quality applications relating to the CEF owing to insufficient budget funds;

Youth unemployment

16. Stresses that youth unemployment remains dramatically high and represents one of the most pressing and serious problems that the EU is currently facing; highlights that 4.4 million young persons under 25 were unemployed across the Union in February 2016 and that this corresponds to a proportion of over 40 % in several Member States;
17. Underlines that the EU budget makes a significant contribution to the fight against unemployment, especially through the European Social Fund and the Youth Employment Initiative (YEI); stresses that despite the initial delays in the designation of national authorities and the implementation of the YEI, the current figures indicate full absorption capacity; notes that an evaluation of this initiative will soon be concluded, and expects that the necessary adjustments will be introduced to ensure its successful implementation;

18. Is particularly concerned, however, at the lack of new commitment appropriations for the YEI as of 2016, given that its entire original envelope was frontloaded in 2014-2015 (Article 15 of the MFF Regulation); stresses that in supporting this frontloading Parliament never intended that the initiative should be terminated after only two years of funding and that other MFF mechanisms, such as the Global Margin for Commitments, were put in place with the purpose of ensuring its continuation; also notes the frontloading of appropriations, on the basis of the same article, for Erasmus + (EUR 150 million), this being another EU programme that makes a major contribution to improving the employability of young people, which was fully implemented in the first two years of this period;

Internal security

19. Recalls the recent terrorist attacks in France and Belgium and the increased threat levels in other Member States, which call for more coordinated and reinforced action at EU level; underlines that the Union already has the Internal Security Fund as an appropriate instrument and has several agencies operating in this field; considers that more European action, and therefore funding, will be needed in this area to provide an adequate response to this threat;

Crises in the agricultural sector

20. Recalls the various crises that European farmers have faced since the beginning of the current MFF, most notably the dairy sector crisis and the long-term negative effects on European farmers of the losses caused by the Russian embargo on agricultural products; highlights the budgetary impact of the emergency measures taken in response to these crises, involving EUR 500 million in the budget 2016 and EUR 300 million in 2015; underlines the persistent situation of crisis in the agricultural sector in several Member States;

Payments backlog

21. Recalls the build-up over the previous (2007-2013) MFF of a backlog of unpaid bills, which rose from a 'normal' level of EUR 5 billion at end 2010 to EUR 11 billion at end 2011, EUR 16 billion at end 2012, and EUR 23.4 billion at end 2013; warns that this backlog has spilled over into the current (2014-2020) MFF, reaching an unprecedented peak of EUR 24.7 billion at the end of 2014; stresses that, at the insistent request of Parliament, a payment plan has been agreed with the aim of reducing the backlog of outstanding cohesion policy-related payment claims for 2007-2013 to EUR 2 billion by the end of 2016; points out that at least EUR 8.2 billion of unpaid bills were identified at the end of 2015 for 2007-2013 in the field of cohesion policy, a figure which is expected to fall below EUR 2 billion by the end of 2016; notes that this decrease provides merely temporary relief as it is only the result of submissions of payable claims for both the 2007-2013 and 2014-2020 programmes being less than announced; regrets that no action has been undertaken to address the 'hidden backlog' identified under other headings;
22. Regrets that the consequences of this payment crisis have been severe, affecting beneficiaries of the EU budget such as students, universities, SMEs and researchers, as well as local and regional authorities; recalls, in particular, the dramatic shortage of

payments in the field of humanitarian operations in 2014, which negatively affected the EU's life-saving operations; recalls that the Commission had to resort to 'mitigating measures' such as reducing pre-financing percentages and postponing calls for proposals/tenders and related contracting; recalls that an artificial slowdown in the implementation of the new 2014-2020 programmes occurred owing to the general lack of payments, an example being an artificial delay relating to EUR 1 billion worth of calls for proposals under Horizon 2020 in 2014, which aimed at ensuring that payments would fall due in 2015 rather than in 2014; stresses, furthermore, that penalties for late payments have been charged to the EU budget, reaching some EUR 3 million in both 2014 and 2015;

b. Substantial use of the MFF's flexibility provisions

23. Stresses that, in order to secure the additional appropriations that have been needed to respond to crises or to finance new political priorities since 2014, the budgetary authority has approved a substantial mobilisation of the flexibility provisions and special instruments included in the MFF regulation, after exhausting all available margins; recalls that several of those provisions resulted directly from proposals of the European Parliament, which ranked the call for maximum possible flexibility as one of its key demands in the MFF negotiations;
24. Notes, in particular, that the special instruments were mobilised to tackle the refugee and migration crisis (full amount of the Flexibility Instrument exhausted in 2016 - EUR 1 530 million; Emergency Aid Reserve in 2016 - EUR 150 million), the payments shortage problem (Contingency Margin activated in 2015 - EUR 3.16 billion), and the financing of the EFSI Guarantee Fund (full use of Global Margin for Commitments 2014 - EUR 543 million); recalls that the decision to mobilise the Contingency Margin in payments is coupled with a decrease in the payment ceilings for the years 2018 to 2020;
25. Anticipates that any further needs that arise with relation to the migration and refugee crisis in 2016, including the tranche of EUR 200 million for the new instrument to provide emergency support within the Union, should result in the mobilisation of the Contingency Margin as soon as necessary; recalls that no more margins are available under Heading 3, while the Flexibility Instrument has already been used up in its entirety for this year;
26. Recalls that the legislative flexibility, as enshrined in Point 17 of the Interinstitutional Agreement (IIA), allows for an increase in the overall envelope of programmes adopted by the ordinary legislative procedure of up to 10 % over the seven-year period; notes that 'new, objective, long-term circumstances' allow the budgetary authority to depart even further from the original envelope; welcomes the fact that this provision has already been used to allow the Union to respond to unforeseen events by considerably increasing the original annual allocations of programmes such as AMIF;

II. Mid-term revision of the MFF – an imperative requirement

27. Is convinced, on the basis of the above analysis, that the review of the functioning of the current MFF entails the conclusion that a genuine mid-term revision of the MFF as provided for in the MFF Regulation is absolutely indispensable if the Union is to

effectively confront a number of challenges while fulfilling its political objectives; recalls that delivering on the Europe 2020 strategy remains the main priority to be supported by the EU budget;

28. Urges the Commission, when preparing its legislative proposal, to take into consideration the following demands of Parliament regarding changes to the MFF Regulation, with respect both to the figures and to several provisions relating to the functioning of the MFF which need to be applicable already for the current MFF;

A. Parliament's demands for the second half of the MFF

MFF figures (commitments)

29. Is convinced that, while fully confirming the notion of large-scale political and financial support for EFSI, the EU budget should not be financing new initiatives to the detriment of existing Union programmes and policies; intends to deliver on its commitment to fully offset the EFSI-related cuts affecting Horizon 2020 and CEF, in order to allow them to accomplish their objectives as agreed only two years ago;
30. Strongly supports the continuation of the Youth Employment Initiative (YEI), as a means of ensuring an urgent response in the fight against youth unemployment, following the necessary adjustments brought about by the ongoing evaluation; considers that this can only be achieved through the provision of an adequate level of commitment appropriations for the YEI for the remaining years of the current MFF; notes that this should entail an upwards revision of the ceilings of Subheading 1b, as no margins are available;
31. Considers that the magnitude of the migration and refugee crisis goes to show that additional needs with significant budgetary consequences may be expected to arise in the coming years; underlines, moreover, that the need for internal security in the EU and the fight against terrorism are expected also to necessitate additional funding to back up reinforced action at EU level; is of the firm opinion that, even with the mobilisation of the small margins available under Heading 3 (Security and Citizenship) and existing flexibility provisions, the resources available will not be sufficient to tackle the increased needs under this heading; calls, therefore, for significant reinforcements for the AMIF and the Internal Security Fund, as well as for the Union agencies operating in the field, as well as other initiatives that can be undertaken; considers that an upward revision of the ceilings under Heading 3 is required;
32. Expects that concerted action to effectively respond to the external dimension of the migration and refugee crisis will intensify over the coming years, and will be accompanied by increased requests for funding under Heading 4 (Global Europe); underlines that such requests for additional funding should not be deployed to the detriment of the EU's existing external action, including its development policy; calls, therefore, for a significant reinforcement of appropriations under this heading;

MFF figures (payments)

33. Considers that, as a matter of priority, it is necessary to act to prevent a new payment

crisis occurring towards the end of the current MFF; firmly believes that every effort should be made to avoid building up a backlog of unpaid bills like the one that was observed during the previous period; stresses, however, the significant pressure on payments that can already be anticipated for the second half of the MFF, which is due, inter alia, to the offsetting of the Contingency Margin against the payments ceilings for 2018-2020, the considerable delay in launching the new programmes under shared management, the payment profile of EFSI, and the additional payments corresponding to the recent increases in commitments in relation to the migration and refugee crisis;

34. Expects, therefore, that new reinforcements in commitment appropriations will be accompanied by a corresponding increase in payment appropriations, including an upward revision of the annual payments ceiling if necessary; considers, moreover, that the mid-term review/revision of the MFF provides an excellent opportunity to take stock of payment implementation and updated forecasts for the expected evolution of payments up to the end of the current MFF; believes that a joint payment plan for 2016-2020 should be developed and agreed between the three institutions;
35. Is determined to settle in an unequivocal way the issue of budgeting the payments of the MFF special instruments; recalls the unresolved conflict of interpretation between the Commission and Parliament on the one hand, and the Council on the other, which has been in the forefront of the budgetary negotiations in recent years; reiterates its long-standing position that payment appropriations resulting from the mobilisation of special instruments in commitment appropriations should also be counted over and above the annual MFF payment ceilings;

Extraordinary revenue

36. Strongly believes that the automatic transfer to the following years of any surplus resulting from under-implementation of the EU budget or fines imposed on companies for breaching EU competition law would contribute to easing the payment problem; stresses that this surplus should be budgeted as extra revenue in the EU budget, with no corresponding adjustment of the GNI contributions; calls on the Commission to make appropriate legislative proposals in this regard;

Flexibility provisions and special instruments

37. Stresses that the mere frequency and level of mobilisation of the MFF special instruments over the past two years prove beyond any doubt the worth of the flexibility provisions and mechanisms enshrined in the MFF Regulation; stresses the long-standing position of Parliament that flexibility should allow for a maximum use of the global MFF ceilings for commitments and payments;
38. Believes, therefore, that the mid-term revision of the MFF Regulation should provide for the lifting of a number of constraints and limitations that were imposed by the Council on the flexibility provisions at the time of adoption of the MFF; considers, in particular, that any restrictions on the carry-over of unused appropriations and margins, either by setting annual ceilings (Global Margin for Payments) or by imposing time-limits (Global Margin for Commitments) should be revoked;

39. Stresses, in particular, the mobilisation of the full amount of the Flexibility Instrument in 2016; notes that this instrument allows for financing clearly identified expenditure that cannot be financed within the ceiling of one or more headings and is not linked to a specific EU policy; considers, therefore, that it provides genuine flexibility in the EU budget, especially in the event of a major crisis; calls, accordingly, for a substantial increase in its financial envelope up to an annual allocation of EUR 2 billion, pointing out that this amount is budgeted only in the event of a decision of the budgetary authority for mobilisation of this instrument; recalls that the Flexibility Instrument is not linked to a special policy field and can be mobilised for any purpose that is deemed necessary;
40. Points to the role of the Emergency Aid Reserve in providing a rapid response to specific aid requirements for third countries for unforeseen events, and stresses its particular importance in the current context; calls for a substantial increase in its financial envelope up to an annual allocation of EUR 1 billion;
41. Notes the different rules in force as regards the time-span for carrying over unspent appropriations for the MFF special instruments, namely the Flexibility Instrument, the Emergency Aid Reserve, the EU Solidarity Fund and the European Globalisation Adjustment Fund; calls for the harmonisation of these rules so as to enable a general N+3 rule to apply to these instruments;
42. Attaches particular importance to the Contingency Margin, as a last-resort instrument for reacting to unforeseen circumstances; stresses that, according to the Commission, this is the only special instrument that can be mobilised only for payment appropriations and thus to prevent a payment crisis in the EU budget as in 2014; deplores the fact that, contrary to the previous period, a compulsory offsetting of the appropriations is stipulated in the MFF Regulation; is of the firm opinion that this requirement creates an unsustainable situation with regard to the MFF ceilings of the last years of the period; stresses that the Contingency Margin is in any event a last-resort instrument, whose mobilisation is jointly agreed by the two arms of the budgetary authority; calls, therefore, for the rule of compulsory offsetting to be lifted immediately with retroactive effect;

Simplification

43. Believes that the mid-term review/revision provides for an excellent opportunity for the first-time assessment of the functioning of the EU policies and programmes concerned, and expects the Commission to supply an analysis identifying the shortcomings of the current implementation system; invites the Commission to come up with concrete proposals to address the possible deficiencies and to improve the implementation environment for the remaining years of the current MFF, in order to ensure the best possible use of scarce financial resources;

Financial instruments

44. Acknowledges the increased role of financial instruments in the Union budget as a complementary form of funding as compared to subsidies and grants; recognises the potential of these instruments in terms of increasing the financial, and therefore the political, impact of the Union budget; underlines, however, that a shift from traditional financing to more innovative instruments is not advisable in all policy areas, as not all

policies are entirely market-driven; underlines that increasing use of financial instruments should not lead to a reduction in the Union budget; recalls Parliament's repeated calls for greater transparency and democratic scrutiny regarding the implementation of financial instruments supported by the Union budget;

B. Parliament's considerations concerning the post-2020 MFF

45. Recalls that according to Article 25 of the MFF regulation, the Commission shall present a proposal for a new multiannual financial framework before 1 January 2018; stresses, therefore, that a number of key elements for the next MFF should already be debated in the framework of the upcoming review/revision;
46. Considers that the key priorities to be addressed must include adjustments to the duration of the MFF, a thorough reform of the own resources system, a greater emphasis on the unity of the budget, and more budgetary flexibility; is furthermore convinced that the modalities of the decision-making process need to be reviewed in order to ensure democratic legitimacy and comply with the provisions of the Treaty;
47. Recalls the budgetary principles of unity, budgetary accuracy, annuality, equilibrium, universality, specification, sound financial management and transparency, which need to be respected when establishing and implementing the Union budget;
48. Underlines that an essential element of the difficulties in agreeing on a multiannual financial framework between Member States is their primary focus on net balances; reiterates its position that the Union budget is not a simple zero-sum game but, rather, the expression of common policies which create collective added value; urges the Member States, therefore, to change their perception of and approach to the Union budget in order to ensure that the outcome is not another stalemate that will only further disconnect the Union from its citizens;

Duration

49. Recalls that, according to recital 3 of the MFF Regulation, the three institutions have agreed to jointly examine the issue of the most suitable duration in the context of the review/revision; reiterates its position that the duration of the MFF should be aligned with the political cycle of both Parliament and the Commission, thus making the European elections a forum for debate on future spending priorities;
50. Underlines, however, that, especially for programmes under shared management in the field of cohesion policy and rural development, longer-term predictability is essential, given the time it takes to agree on sectoral legislation and operational programmes at national and regional level;
51. Believes that, given the rapidly changing political environment and with a view to ensuring greater flexibility, some elements of the MFF should be agreed for five years while others, notably those related to programmes requiring longer-term programming and/or policies foreseeing complex procedures for the establishment of implementation systems, should be agreed for a period of 5+5 years with compulsory mid-term revision;

Reform of the own resources system

52. Underlines the need for a fully-fledged reform of the own resources system, with simplicity, fairness and transparency as guiding principles; is therefore expecting an ambitious final report from the High Level Group on Own Resources by the end of 2016, as well as an equally ambitious legislative package on own resources as of 2021 from the Commission by the end of 2017;
53. Stresses the need to reduce the share of the GNI contributions to the Union budget in order to exit the 'juste retour' approach of Member States; underlines that this would reduce the burden on national treasuries and thus make the resources concerned available for Member States' national budgets; recalls that the current VAT own resource is over-complex and is in essence a second GNI contribution, and therefore calls for this own resource either to be substantially reformed or to be scrapped altogether; considers it necessary, however, to keep the GNI contributions as an element of the budget, given the need for its function as a balancing contribution;
54. Calls for the introduction of one or several new own resources, ideally with a clear link to European policies that create added value; notes that a large number of possible new own resources have already been discussed by the High Level Group, and eagerly awaits its recommendations;

Unity of the budget

55. Underlines the importance of the principle of the unity of the budget, and recalls that according to Article 310(1) TFEU all items of revenue and expenditure of the Union shall be shown in the budget; is concerned about the recent shift from the Community method to intergovernmental decision-making as observed, since 2014, in the setting-up of the Bêkou Trust Fund for the Central African Republic, the Madad Regional Trust Fund in response to the Syrian crisis, and the EU Emergency Trust Fund for Africa, as well as of the Refugee Facility for Turkey;
56. Underlines that according to the Treaty, Parliament and the Council establish the Union budget on an equal footing as the two arms of the budgetary authority; considers, moreover, that full parliamentary control over all expenditure is an essential element of all EU spending; calls on the Commission to preserve the unity of the budget and to consider it a guiding principle when proposing new policy initiatives;
57. Reiterates its long-standing position that the European Development Fund should be integrated in the Union budget, as from 2021, while ensuring the financing of the African Peace Facility and security-related operations;

Enhanced flexibility

58. Stresses that the rigid structure of the Union budget deprives the budgetary authority of the possibility of reacting adequately to changing circumstances; calls, therefore, for greater flexibility in the next MFF, in particular through more flexibility between headings and years with the aim of fully exploiting the MFF ceilings;

59. Underlines that in addition to the ability to react flexibly to changing circumstances without prejudice to the agreed programming, there is also a necessity for the Union to be able to react quickly to developing crises; calls, therefore, for the establishment of a permanent EU crisis reserve within the Union budget over and above the MFF ceilings, in order to avoid ad hoc solutions like the setting-up of trust funds;

Follow up of the Paris agreement on climate change

60. Notes that the agreement reached on 12 December 2015 in Paris by the 196 parties to the UN Framework Convention on Climate Change is a universal, binding, dynamic and differentiated agreement aimed at facing the challenge of climate change; calls on the Commission to present its first evaluation of the possible impact of the COP21 agreement on the EU budget in due time for the revision;

Decision-making process

61. Recalls Parliament's critical stance as regards the manner in which the procedure leading to the adoption of the MFF Regulation for 2014-2020 was conducted; recalls that the adoption of the regulation requires Parliament's consent; stresses, therefore, that Parliament needs to be fully involved in the relevant negotiations from the outset; considers that the EU institutions should formalise the modalities for the next MFF procedure in an agreement reached at the time of the mid-term review/revision of the MFF, which should take account of the shortcomings of the previous negotiations and fully safeguard Parliament's role and prerogatives as set out in the Treaties; considers that these modalities should eventually be enshrined in the IIA, as is the case for the annual budgetary procedure;
62. Calls on the Member States to reach a rapid agreement on the next MFF in order to allow all new programmes to start without delay on 1 January 2021;
63. Instructs its President to forward this resolution to the Council, the Commission, the other institutions and bodies concerned, and the governments and parliaments of the Member States.