2017 general budget: all sections

2016/2047(BUD) - 18/07/2016 - Commission draft budget

PURPOSE: presentation of the Commission Draft Budget (DB) for 2017 (all sections).

BACKGROUND: the draft budget (DB) 2017 notes, first of all, that the British people expressed their wish to leave the European Union. However, EU law continues to apply in full until the United Kingdom is no longer a member.

It is recalled that the EU budget represents around 1 % of EU gross national income (GNI), and just above 2 % of all public spending in the EU.

2017 will be the fourth year of the current multiannual financial framework and the third of the mandate of the current Commission. The latter proposes a draft budget reflecting and supporting the political priorities set by President Jean-Claude Juncker, in particular contributing to the greatest extent possible to jobs, growth and investment, and providing a European response to the challenges of:

- migration management
- the fight against terrorism and organised crime.
- protecting EU external borders,
- fostering a coordinated partnership with neighbouring regions and other third countries.

Besides these two clear priorities, the Commission will continue to progress towards a connected digital single market, a resilient energy union, a deeper and fairer internal market and economic and monetary union, and a free trade agreement with the United States.

The budget in figures: the 2017 DB is presented as follows:

- in terms of commitment appropriations, the total expenditure in the draft budget (DB) 2017 (including the special instruments) is EUR 157.7 million, corresponding to 1.05% of GNI, this being an increase of 1.7% above the total expenditure in 2016. The resulting total margin under the MFF ceilings for commitments stands at EUR 815.4 million.
- the payment appropriations amount to EUR 134.9 million, corresponding to 0.9% of GNI. This represents a decrease of 6.2% over the level of payment appropriations in the 2016 budget.

The significant reduction of total payments essentially reflects the finalisation of the implementation of programmes from the 2007-2013 MFF and the slow implementation of the new generation of programmes in some policy areas. The margin left under the payment ceiling of the MFF for 2017 amounts to EUR 9 608.5 million.

The main budgetary priorities of 2017

- Boosting jobs, growth and investments remains the main priority: whilst the European economy continues to recover, growth forecasts are still modest. This moderate and fragile growth rate makes it imperative to maintain the rhythm of implementation of the political priorities of the Commission to create the conditions for sustainable and inclusively economic growth, with the aid of the European Fund for Strategic Investments (EFSI), the structural and investment funds and programmes under the expenditure heading 'Competitiveness for growth and jobs' (heading 1a) with Horizon 2020, and COSME.

-An effective European response to the migration challenge: building on the actions already undertaken in 2015 and 2016 which reached a combined total of over EUR 10.5 billion, the 2017 draft budget includes EUR 5.2 billion of specific migration-related expenditure for both internal and external actions.

Accordingly, the amount proposed for 2017 for 'Security and citizenship' (heading 3) is EUR 1.8 billion above the initially programmed amount for the year, and represents a slight increase over the reinforced funding level in the 2016 budget. Given the unprecedented scale of the needs, the Commission proposes to mobilise the Flexibility Instrument, and the Contingency Margin for commitments, to finance a wide range of actions including emergency assistance, relocation, resettlement, return and integration of refugees and asylum-seekers. The budget also includes EUR 200 million for the new instrument allowing the provision of emergency humanitarian support within the Union in response to the current influx of refugees and migrants into Europe.

The EU budget will also continue to fund a variety of actions to address the root causes of migration. Through the recently created Trust Fund for Africa, the budget will provide significant assistance to host countries dealing with large migration flows outside the Union. In particular, the draft budget includes EUR 750 million to reach the EUR 1 billion contribution from the EU budget towards the EUR 3 billion agreed for the Facility for Refugees in Turkey in 2016-2017. It also includes the budgetary implications of the pledge for Lebanon and Jordan.

-Other sectoral priorities: the budget will also fiancé other measures such as security of energy supply, research and innovation, and climate action. Following the COP 21 conference in Paris, the Commission continues to push towards its commitment for 20 % of the budget to address climate change. Lastly, the budget envisages amounts for: (i) combat cyber-crime; (ii) ensure effective border management; (iii) defeat terrorism.

KEY BUDGETARY ASPECTS OF THE HEADINGS: the analysis is structured under the 2014-2020 financial framework headings:

Heading 1: Smart and inclusive growth: this heading is broken down into 2 sub-headings:

- Heading 1a: Competitiveness for growth and jobs: commitment appropriations for Competitiveness for growth and jobs (heading 1a) are set at EUR 21 109 million. This is an increase of 11 % compared to the 2016 budget, mostly relating to the European Fund for Strategic Investments (EFSI), the Connecting Europe Facility (CEF) and Erasmus+. This leaves a margin of EUR 81 million, after making use of the Global Margin for Commitments for an amount of EUR 1 265 million. Payment appropriations increase by 10.9 % to EUR 19 298 million.

· Heading 1b: Economic, social and territorial cohesion: commitment appropriations increase by 5.4 % to EUR 53 573.8 million, leaving a margin of EUR 13.2 million. Because of the frontloading of the Youth Employment Initiative (YEI) in 2014 and 2015, no commitments are proposed at this stage for 2017 pending the results of the evaluation of the programme. Payment appropriations for the heading as a whole decrease by -23.5 % compared to the 2016 budget, to EUR 37 348.7 million. This is the combined result of the progressive completion of the 2007-2013 programmes, which is only partially offset by the increase in payment appropriations under the new programmes. The new programmes have been slower to get off the ground than expected.

Heading 2: Sustainable growth: natural resources: commitment appropriations are set at EUR 58 901.7 million. The level of expenditure leaves a margin of EUR 1.3 billion under the ceiling, EUR 650 million of which is proposed to offset the use of the Contingency Margin for migration and refugee-related expenditure in heading 3. Payment appropriations amount to EUR 55 236.2 million, with an increase of 0.2 % compared to 2016. The funding for market related expenditure and direct payments is EUR 42 937.6 million in commitment appropriations, and EUR 42 889 million in payment appropriations.

Heading 3: Security and citizenship: this heading sees an increase in commitment appropriations of 5.4% in comparison with the 2016 budget to EUR 4 272.4 million. The budget for this heading was already well above the financial programming in 2016 through the mobilisation of the Flexibility Instrument (EUR 1.5 billion). Given the scale of the challenge of the refugee and migration crises, it is proposed to sustain the level of effort for migration and security funding in this heading in 2017, including the new Instrument for emergency support within the Union. This leaves no margin under the heading and will require the mobilisation of both the Flexibility Instrument to its maximum possible extent in 2017 (EUR 530million) and the Contingency Margin (EUR 1 164.4 million). Payment appropriations increase by 25.1 % to EUR 3 781.9 million, resulting from the increase of commitment appropriations in 2015, 2016 and 2017 to address the refugee and migration crisis.

Heading 4: Global Europe: this heading sees an increase in commitment appropriations of 2.9 % to EUR 9 432 million, leaving no margin under the expenditure ceiling. This is to tackle the external dimension of the refugee crisis, in particular honouring pledges made towards neighbouring countries bearing a large burden such as Turkey, Jordan and Lebanon. Payment appropriations decrease by -8.5 % to EUR 9 289.7 million, now that the backlog of outstanding commitments under this heading has been brought under control.

Heading 5: Administration (expenditure for all institutions and staff): commitment and payment appropriations for 'Administration' (heading 5) for all institutions combined including pensions and European schools increase by 4.1 %, with commitments set at EUR 9 321.7 million. Irish has now become a new official language and institutions have to comply with the new linguistic requirements. Moreover, institutions are stepping up their security systems. Expenditure for the European schools takes into account a continuing increase in the number of pupils in the schools, especially those in Frankfurt and Luxembourg. The margin under the ceiling of heading 5 amounts to EUR 596.3 million, EUR 514.4 million of which is proposed to offset the use of the Contingency Margin for migration-related expenditure in heading 3.