HOUSE OF COMMONS LIBRARY

BRIEFING PAPER

Number 06455, 7 May 2021

A guide to the EU budget

By Matthew Keep

Inside:

Contents

Summary

In 2019 the EU spent €160 billion. This is equivalent to around 1% of national income across the EU's Member States. The majority of the EU's spending goes on policies aimed at supporting farming and agriculture and improving Member States' economies and competitiveness.

This briefing includes only limited analysis of what the UK contributes to the EU budget and receives from it. Our briefing The UK's contribution to the EU budget goes into more detail on the subject including payments after Brexit.

EU spending

The EU plans its spending in 'financial frameworks' that generally span seven years. The framework sets out the maximum the EU can spend each year and allocates spending to broad priorities. The MFF sets out the EU's long-term budget but the detail of the EU's annual budgets are negotiated each year by the European Commission, the Council of Europe and the European Parliament within the limits set by the financial framework.

37% of the €160 billion spent by the EU in 2019 went on its agricultural policies. Subsidies were provided to farmers – which is the EU's biggest single spending area – and funding was provided to improve rural economies and farming's productivity. Over 40% of the EU's spending went to programmes aimed at improving the economies of the EU's poorer regions and countries and improving competitiveness in all EU regions.

The EU's revenues

The majority of the EU's revenues comes from the contributions made by Member States. Member States contribute a share of their adjusted VAT receipts and their Gross National Income (GNI) to the EU. They also collect customs tariffs on behalf of the EU. Two-thirds of EU revenues in 2019 came from Member States' GNI contributions.

The EU receives a small proportion of its revenues from other sources such as taxes on EU staff salaries, non-EU countries' contributions to programmes, interest on late payments, and fines on companies breaching competition law etc.

The UK's rebate

The UK received a rebate on its contribution. The rebate was introduced, in 1985, to correct for the fact that the UK was making relatively large contributions to the EU budget but receiving relatively little funding from it.

The 2021 – 2027 budget plan

The EU has agreed its spending and revenue plans for 2021-2027. It has also agreed extra spending to tackle the economic fallout from the coronavirus pandemic. The EU will borrow from capital markets to fund the extra spending.

Member States' contributions to the EU budget and receipts they receive from it

Generally speaking, the richer Member States are net contributors to the EU budget – they contribute more to the budget than they receive from it. Poorer states are generally net recipients – they receive more from the EU budget than they pay in. In keeping with this, the UK made the second largest net contribution to the EU budget in absolute terms, and the sixth largest net contribution per head of population.

1. EU Budget: spending

Summary

Planning spending

- The EU plans its spending over seven-year periods in Multiannual Financial Framework (MFF)s.
- The MFF is the EU's long-term budget – it sets out maximum amounts that the EU can spend on its priorities. It aims to ensure that the EU's spending evolves in line with its policies.
- The 2014-2020 MFF allowed the EU to commit to spend €960 billion (2011 prices) over the period. This is a real terms reduction on the previous MFF 2007-13 of 3.5%.
- MFF 2014-20 allocated around 40% of the EU's spending to agricultural programmes and 47% to programmes that focus on economic growth, jobs, competitiveness and cohesion.
- MFF 2021-2027 was agreed in December 2020, as is discussed in section 3 of this briefing.

Annual budgets

- Each year an annual budget is negotiated by the European Commission, the Council and European Parliament. The budget is negotiated within the spending limits set out in the MFF and it sets out the details of all the EU's spending and revenues for one year.
- In 2019 the EU's largest spending programmes focused on subsidies to farmers (32% of total spending), structural funds to improve regional economies (26%), funding to develop rural economies (9%), research and development through the Horizon 2020 programme (7%), and cohesion funds for Member States with lower living standards (6%).

1.1 Planning the EU's spending: the Multiannual Financial Framework (MFF)

The EU plans its spending over seven-year periods through the Multiannual Financial Framework (MFF).[1] The MFF broadly sets out maximum EU spending across different categories. It also sets an overall maximum for actual payments the EU can make in a year.

The MFF is the EU's long-term budget which provides a framework for the annual budgets that are negotiated each year. It aims to ensure that the EU's spending evolves in line with its policies.

The MFF is negotiated by the European institutions (see Box 1) and requires unanimous agreement at the European Council – which means each Member States' head of government must agree to it – and agreement by the European Parliament.

The EU plans its spending in the seven-year multiannual financial framework (MFF).

The MFF is the EU's long-term budget. It provides spending limits for the EU's annual budgets to be negotiated in.

MFF 2014-20

MFF 2014-20 allowed the EU to commit to spend up to €960 billion over the years 2014 to 2020 and to make payments of €908 billion (2011 prices).[2] This spending is equivalent to around 1% of the Gross

1 The MFF must cover a period of at least five years.
2 These figures do not include revisions to the MFF. For more on these see appendix 1.

National Income (GNI) of the whole EU (including the UK).[3] The Institute for Fiscal Studies (IFS) – an economic think tank – notes that this spending is a relatively small component of public spending within the EU.[4] In comparison, the UK government's public spending is equivalent to around 35-45% of GDP.[5]

The maximum spending allowed in MFF 2014-20 is lower in real terms (after adjusting for inflation) than in its predecessor, MFF 2007-13. This is the first time that spending has fallen from one MFF to the next.[6]

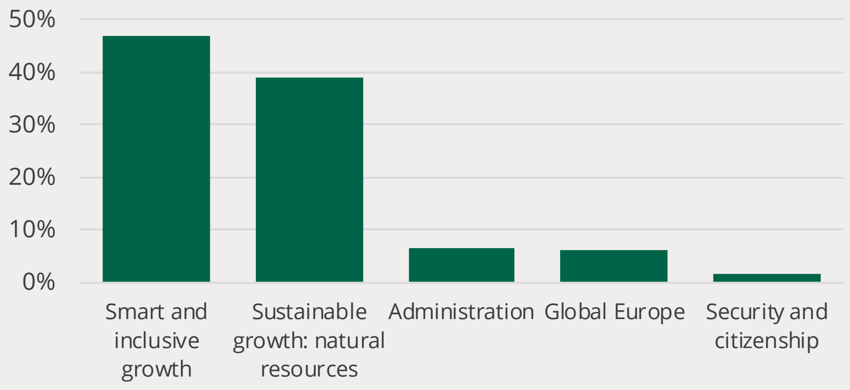
After adjusting for inflation, spending in MFF 2014-20 will be lower than during its predecessor, MFF 2007-13.

Under MFF 2014-20 most of the EU's spending falls into two broad categories:

- 47% for 'smart and inclusive growth', which includes programmes that aim to achieve the EU's aims for economic growth, jobs, competitiveness and cohesion.
- 39% for agricultural programmes under the category of 'sustainable growth: national resources'

Section 1.2 discusses these broad categories in greater detail.

MFF 2014-20 spending categories, % of total



Source: Council Regulation (EU, EURATOM) No 1311/2013

The MFF is negotiated at the same time as the EU negotiates how it will raise revenues to pay for its spending. However, the two are set out in separate regulations (see Box 2). Appendix 1 provides further information on MFF 2014-20 negotiations, subsequent revisions and its mid-term review.

---

3 GNI is a measure of economic output which values goods and services produced by the residents of a country. It differs from GDP because it includes income such as dividend and interest payments received from other countries, less similar payments made abroad. GNI measures output produced by residents of a country, regardless of whether they are produced in the country or not.
4 IFS. *The budget of the European Union: a guide, 6 April 2016*, page 6
5 Office for Budget Responsibility, Public finances databank
6 Council of the European Union News Release PRESSE 439, Council adopts the multiannual framework 2014-2020, 2 December 2013

Box 1: The EU institutions

European Council

The European Council is the highest-level decision-making forum in the EU, consisting of the heads of state or government of the Member States, together with the Presidents of the European Council and the European Commission. The European Council gives the EU its ultimate political direction, which it does by adopting 'conclusions' at the end of its meetings. The European Council has no powers to pass laws. It adopts conclusions on the Multiannual Financial Framework.

European Commission (the Commission)

The European Commission is the executive of the EU: it proposes legislation and implements policy within the competences laid down by the EU Treaties. It produces drafts of the MFF and annual budget. There are 27 members, one from each Member State, known as Commissioners. The Commission has the following general functions: policy-making; Treaty guardianship; policy implementation and delegated powers; management of EU funds; representation in trade negotiations and other agreements with third countries.

The Council of the European Union (the Council)

The Council is made up of ministers of the governments of Member States. It is one of the two principal legislative and decision-making bodies of the EU, along with the European Parliament. It also shares responsibility with the Parliament for setting the EU's annual budget. It is headed by a rotation of Member States which act as its President, otherwise known as the Presidency of the Council of the EU.

The composition of the Council varies according to the business under discussion. For example the Economic and Affairs (Ecofin) Council gathers finance ministers to discuss economic policy.

European Parliament

The European Parliament is the assembly of elected representatives of EU citizens. The representatives are known as Members of the European Parliament (MEPs). The European Parliament debates and passes law; scrutinises other EU institutions; and debates and adopts the EU's budget.

1.2 The annual budget

Each year the European Commission, the Council and European Parliament negotiate the EU's annual budget within the framework and spending limits out by the MFF. The process is described in appendix 2. The annual budget fleshes out the EU's spending for the year.

Spending in 2019

During 2019 the EU spent nearly €160 billion across five broad budget categories. Nearly half of the EU's spending either went directly to farmers or to programmes that help the least economically developed EU countries and regions.

The EU spent close to €160 billion in 2019.

Most significant items of spending

The EU's largest individual spending item is the direct payments it makes to farmers. Close to 30% of the EU's spending in 2019 went on these subsidies that support farmers to have a decent standard of living and consumers to have a stable and safe food supply at affordable prices.

The EU's largest spending area is direct payments to farmers.

The second largest spending area is the set of EU's programmes that help the least economically developed EU countries and regions to catch up with the other Member States. They are often referred to as 'structural funds' and include the European Regional Development Fund, European Social Fund, Cohesion Fund and some smaller funds. They accounted for over 30% of EU spending in 2019. The funds redistribute funding from richer countries and regions to poorer regions and countries, although all countries receive some funding.

Spending by budget category

Smart and inclusive growth (47% of spending in 2019) is split into two categories of spending:

(a) *competitiveness for growth and jobs (14% of 2019 spending)*

This includes programmes aimed at research and innovation, education and training, trans-European networks in energy, transport and telecommunications, infrastructure policy, support for businesses and satellite navigation systems.

Funds in this category are largely managed by the Commission. Organisations interested in participating in the programmes apply directly to the Commission for funding, often on a competitive basis.

The largest programmes under *competitiveness for growth and jobs* are Horizon 2020, Erasmus+ and Connecting Europe Facility:

- Horizon 2020 made up over half of spending under *competitiveness for growth and jobs* in 2019. Horizon 2020 is the EU's fund for research and innovation. Universities and research laboratories are typical recipients of funding.
- Erasmus+ supports education, training, youth and sport. It aims to boost skills and employability as well as modernising education, training and youth work. It provides opportunities for Europeans to study, train, gain work experience and volunteer abroad.
- Connecting Europe Facility (CEF) provides funding for infrastructure investment. The funds support development of trans-European networks in transport, energy and digital services.

Competitiveness for growth and jobs (14% of EU spending) includes the EU's research and innovation programme (Horizon 2020), funding for infrastructure investment (Connecting Europe Facility) and support for education, training, youth and sport (Erasmus+).

(b) *economic, social and territorial cohesion (34% of spending in 2019)*

This includes programmes that help the least economically developed EU countries and regions to catch up with the other Member States. The vast majority of funding is allocated directly to Member States to manage within the guidelines set out by the EU. All Member States receive some funding, but those with a greater concentration of less-developed regions receive relatively more.

The main programmes under *economic, social and territorial cohesion* include the European Regional Development Fund (ERDF), European Social Fund (ESF) and the Cohesion Fund. The first two of these funds make up the majority of spending on *economic, social and territorial cohesion* in 2019 and over 25% of all EU spending in the year. The ERDF supports local economic growth, focussing on small and medium-sized enterprises, research and innovation and a low-carbon economy. The ESF funds training and skills projects aiming to improve employment and education opportunities.

Economic, social and territorial cohesion (34% of EU spending) includes funding to develop regional economies (structural funds) and funding aimed at the Member States with lower living standard (cohesion funds).

The Cohesion Fund is aimed at Member States whose living standards – as measured by Gross National Income per person – are less than 90% of the EU average. The UK did not qualify for this fund. The Cohesion Fund is aimed at developing transport and the environment.

Sustainable growth: natural resources (37% of spending in 2019) is the category for funding the EU's agricultural policies. The majority of funding is allocated directly to Member States to manage, within the guidelines set out by the EU.

The largest fund – the European Agricultural Guarantee Fund (EAGF) – makes payments directly to farmers, and funds measures to regulate agricultural markets. It aims to ensure a decent standard of living for farmers and a stable and safe food supply at affordable prices for consumers. The EAGF makes up close to 75% of spending on *sustainable growth: natural resources* in 2019 and 28% of all EU spending in the year.

EAGF is one pillar of the EU's main policy for agriculture, the common agricultural policy. The other pillar – the European Agricultural Fund for Rural Development (EAFRD) – aims to develop rural economies and increase the productivity of farming and forestry. 9% of EU spending in 2019 went on EAFRD.

Global Europe (6% of spending in 2019) includes support to the EU's foreign policies and international development. It includes the enlargement process, development assistance and humanitarian aid.

Administration (7%) includes spending on the cost of staff and members, buildings, information technology and security.

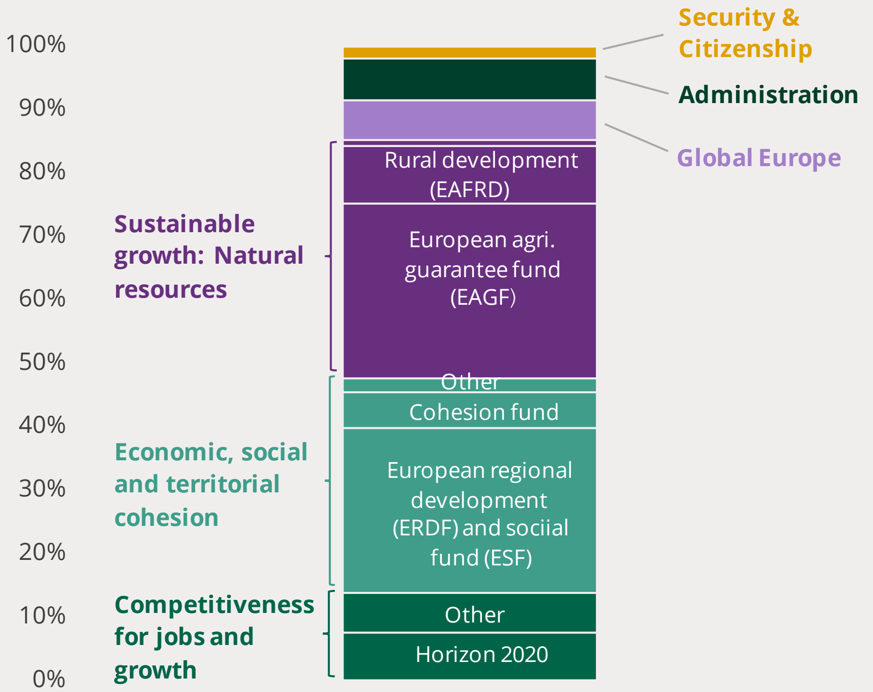
Security and citizenship (2%) includes justice and home affairs, border protection, immigration, asylum, public health, consumer protection, culture, youth, and information for citizens.

Sustainable growth: natural resources (37% of spending) includes direct payments to farmers, which is the EU's largest spending area. This category also includes funding to develop rural economies and increase farming productivity.

There is more on EU spending in the Library briefing EU funding in the UK.

EU spending, 2019

% of total spending, by category and largest programmes



Source: European Commission. EU expenditure and revenue 2014-2020

2. EU Budget: revenue

Summary

Revenues

- The vast majority of the EU's revenue comes from Member States' contributions. In 2019 roughly:
  - 13% of EU revenue came from customs duties and sugar levies collected by Member States.
  - 11% of EU revenue came from contributions related to an adjusted measure of Member States' VAT-bases.
  - 66% of EU revenue came from contributions based on Member States' national income (as measured by gross national income).

  The remainder of the EU's revenue in 2019 came from other sources such as interest on late payments, and fines on companies breaching competition law. The EU also used revenues it didn't spend in 2018.

The UK's rebate

- The UK received a rebate on its net contribution to the EU. This is the most famous exception to the rules governing how Member States contribute to the EU.
- The rebate was introduced in 1985 to lower the UK's net contribution which was relatively high.
- The UK's rebate is included in the EU's regulation for determining Member States' contributions. It could only be changed if all Member States – including the UK – agreed.

2.1 Member States' contributions: own resources

Member States' contributions make up the vast majority of the EU's revenue.[7] Member States contribute through three sources, which are collectively known as 'own resources':

- customs tariffs and sugar levies
- contributions based on a measure of the VAT-base
- GNI-based contributions

Customs tariffs and sugar levies

Customs tariffs and levies made up 13% of EU revenues in 2019.

The EU is a customs union with goods coming into the union paying the same tariff irrespective of which Member State they are imported into. Member States collect the tariffs on the behalf of the EU, and these are seen as a natural source of funding for the EU Budget.

Member States pass tariffs collected to the EU but keep 20% to cover their cost of collection. The Institute for Fiscal Studies say that this is a large proportion, given that the average collection costs for taxes are a small fraction of this.[8]

7 As stipulated in Article 311 Treaty on the Functioning of the European Union
8 Institute for Fiscal Studies. The budget of the European Union: a guide, April 2016, page 2

Belgium and the Netherlands make disproportionately large contributions from custom tariffs.[9] This is because many of the goods coming into the EU do so through Belgian or Dutch ports and are collected at the point of entry. This doesn't mean that the citizens of these countries are paying disproportionately more however since the goods on which the tariffs are paid will also be consumed by residents of other EU countries.

VAT based contributions

Member States contribute 0.3% of their adjusted, or harmonised, VAT-base to the EU budget. [10] The adjustment is discussed below.

VAT based contributions made up 11% of EU revenues in 2019

All Member States are obliged to have a VAT that conforms to requirements set out by the EU. In practice many Member States have obtained exemptions to the requirements and have choices over whether to tax certain products. This means the extent of Member States' VAT base can be quite different.

Due to the divergence in VAT bases the EU doesn't require Member States to contribute a proportion of their actual VAT-base. Instead the EU harmonises each Member States' VAT-base and applies a rate to their harmonised VAT-base. The harmonised base represents what each Member States' VAT-base would be if they followed the EU's VAT requirements.

Some Member States' harmonised VAT base are large relative to their national income. To lower the burden on these States their VAT contribution is capped. If the harmonised VAT base is more than 50% of a Member State's GNI then the contribution is capped at 0.15% of their GNI.

GNI based contributions

The GNI based contribution is used as a balancing item to ensure Member States' contributions are sufficient to cover the EU's spending. Each Member State pays the same proportion of its GNI to the EU budget. The proportion is set at a level that raises enough revenue to make up the difference between the EU's planned spending and what it expects to raise from all other sources.

GNI based contributions made up 66% of EU revenues in 2019.

In 2019, Member States contributed 0.64% of their GNI to balance the EU's budget.[11]

---

9 In 2019 Belgium made contributions of €195 per head of population, and the Netherlands €158 per head from customs duties and levies. The average across EU Member States was €42 per head of population.

10 For 2014 – 2020 Germany, the Netherlands and Sweden will pay a reduced rate of 0.15%

11 Amending budget 5/2019, page 14

2.2 Other revenues and surplus

The EU receives other revenues outside of Member States' contributions. Contributing around 11% of EU revenues in 2019, other revenues include taxes on EU staff salaries, contributions from non-EU countries to certain programmes, interest on late payments, and fines on companies breaching competition law etc.

While the EU cannot spend more than its revenues, there may be unspent revenues at the end of the year. Such surpluses can be used in the following year. 1% of EU revenues in 2019 came from 2018's surplus.

12% of EU revenues came from sources other than Member States, including 1% which came from a surplus in 2018's revenues.

Box 2: EU regulation on Member States' contributions and the MFF

Details of how Member States contribute to the EU budget are laid out in the EU's Own Resources Decision (ORD).[12] The regulation is negotiated at the same time as the Multiannual Financial Framework (MFF) – which as discussed in section 1, sets out the EU's spending plans – but the two are set out in different regulations. The MFF is set out in a council regulation of 2 December 2013.

The current ORD was adopted by the Council on 26 May 2014 and entered into force on 1 October 2016.[13] There is a time lag between the ORD being adopted and entering into force because each Member State must approve changes to the ORD. The European Union (Finance) Act 2015 provided the UK Parliament's approval.[14]

Relative to the previous ORD, the current ORD:

- Lowered the proportion of customs duties that Member States could keep to cover collection costs to 20%. Previously it was 25%.
- Provided Denmark (€130 million), the Netherlands (€695 million), and Sweden (€185 million) with gross reductions in their annual GNI contribution. Austria will benefit from reductions up to 2016 of €30 million in 2014, €20 million in 2015, and €10 million in 2016.
- Reduced the VAT call rate – the percentage applied to the harmonised VAT-base – for Germany, the Netherlands and Sweden for the period 2014-20 only. Over the period their call rate shall be 0.15% compared to 0.3% for all other Member States.

The UK received a rebate to lower its net contribution to the EU budget (see section 2.3). The rebate was included in the ORD.

2.3 The UK's rebate

There are exceptions to the rules on how Member States contribute to the EU budget. The UK's rebate on its net contributions was perhaps the most famous.[15] The rebate was worth between £3.1 billion and £5.6 billion per year to the UK between 2012 and 2019.[16]

12 Council of the European Union, Council Decision of 26 May 2014 on the system of own resources of the European Union, OJ L 168, 7.6.2014
13 Council of the European Union, Council decision on the system of own resources of the European Union 2011/0183 (CNS), 12 February 2014
14 The Library produced a briefing for second reading of the European Union (Finance) Bill 2015-16.
15 The European Parliament Research Service's briefing The UK 'rebate' on the EU budget discusses other correction mechanisms that favour other Member States.
16 HM Treasury. EU finances 2019, July 2020, Table C.3

The UK's rebate was introduced in 1985 as the UK was making relatively larger net contributions than other Member States.

The rebate was introduced to address the issue of the UK making relatively larger net contributions than other Member States. When the rebate was introduced, in 1985, the UK received relatively little from the EU budget: it had a small agricultural sector, but most EU spending went on agriculture.[17] At the same time the UK made relatively high contributions to the budget, despite being among the less well-off Member States at the time.

The UK's rebate was included in the regulation that determines how Member States contribute to the EU budget (the own resources decision, see Box 2). This essentially made the rebate permanent: it could only be changed if all Member States, including the UK, agree.

How did the rebate work?

Broadly speaking the formula used means that the UK's net contribution was reduced by 66%, relative to what it would be without rebate.[18] However, certain parts of the EU's spending were excluded from the deduction, including EU overseas aid, and non-agricultural spending in new Member States that joined the EU after April 2004. This final exclusion was introduced to ensure that the UK contributed to the costs of enlarging the EU.

The basic concept of the rebate has remained the same since its inception, but changes to its calculation have been made over time as the EU and its methods for raising revenues have changed. The changes aim to keep the calculation similar to what it would have been had the overall system not changed since 1985.

The Commission calculates the rebate on the basis of its estimates of the likely outturn for payments from the budget in-year and its estimates of Member States' contributions to the budget. These are then corrected in light of actual outturn figures. Corrections may be made up to three years after the year to which the rebate relates, after which a final reckoning is made in the fourth year. The rebate is deducted from the UK's contributions before its payments to the EU budget are made. The rebate is taken off the UK's contribution in the following year. All this means, for example, that the 2007 UK rebate was applied to the UK's contribution to the 2008 EU budget in terms of a provisional amount, while the definitive amount for 2007 was calculated and budgeted only in 2011.

Who paid for the rebate?

The other Member States covered the cost of the UK's rebate. The cost of the rebate was based on each state's share of EU GNI, but Germany, the Netherlands, Austria and Sweden only pay one quarter of their

17 Or European Economic Community as it was then known
18 The rebate is calculated by taking the difference between the UK's percentage share of contributions to the EU and the UK's percentage share of EU receipts, multiplying this figure by 0.66 and then multiplying it by total spending.

amount due. The cost of the reductions for Germany, the Netherlands, Austria and Sweden are met by the other Member States.

Box 3: Origins of the rebate

When the UK joined the then-European Economic Community (EEC) in 1973 the UK's net contribution was high. The UK received relatively little from the budget: it had a small agricultural sector, but most EEC spending went on agriculture. At the same time the UK made relatively high contributions to the budget, despite at the time being among the less well-off Member States.

Temporary correction mechanisms to address the imbalance were introduced in 1975 and then 1979. In June 1984 – at a European Council meeting held at Fontainebleau – Member States agreed a specific rebate mechanism that remains largely similar to that used today.

3. Multiannual financial framework (MFF) 2021-2027

Summary

Multiannual financial framework (MFF) 2021-2027 allows the EU to spend €1.1 trillion (in 2018 prices) on its long-term priorities. The EU has also agreed a package to support the EU's economic recovery from the coronavirus pandemic. The Commission will borrow €0.75 trillion from capital markets to fund the recovery instrument, which is called Next Generation EU (NGEU).

MFF 2021-27 is around 2% lower than MFF 2014-20, after allowing for inflation. Once spending from NGEU is added in, EU spending is set to increase by around two-thirds.

Despite the UK's withdrawal from the EU, MFF 2021-2027 has some financial implications for the UK.

3.1 Introduction

Negotiations over MFF 2021-2027 began in 2018. The coronavirus pandemic slowed progress and added the extra issue of how the EU budget might support the economic recovery from the pandemic.

MFF 2021-2027 was adopted in December 2020. The €1.1 trillion spending package focuses on the EU's long-term priorities.

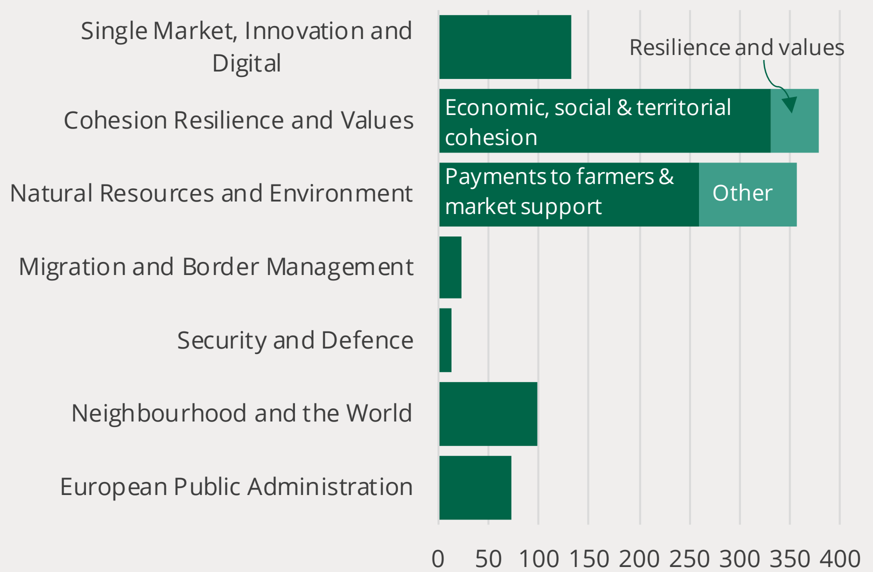
€0.75 trillion (€750 billion) will also be spent from the Next Generation EU (NGEU) recovery instrument to support EU economies cover from coronavirus. The Commission will borrow to fund NGEU.

3.2 MFF 2021-2027

The €1.1 trillion agreed for MFF 2021-2027 is divided between seven spending headings, as shown in the chart below.

EU Council has agreed MFF 2021-2027 of €1.1 trillion

Total commitments by heading, 2021-2027, € billions (2018 prices)

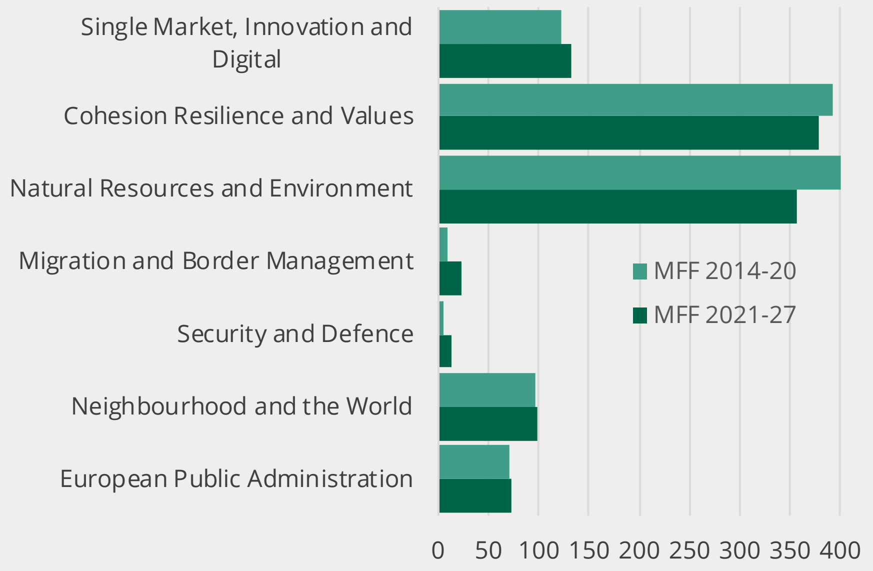


Source: European Parliament Research Service (EPRS). EU financing for 2021-2027

Comparisons with the previous MFF are difficult following the UK's departure and the inclusion of the European Development Fund, which was previously outside of the EU budget. However, with these things considered, MFF 2021-2027 is set to be around 2% smaller than MFF 2014-2020. This doesn't account for the NGEU spending or top-up negotiated by the European Parliament (see below). If NGEU spending is added in EU spending increases by around two-thirds relative to MFF 2014-2020.[19]

MFF 2021-27 proposal is 1.8% smaller than 2014-20

Total commitments by heading, 2021-27 & 2014-20, € bn (2018 prices)



Notes: amounts under the 2014-20 MFF are estimations excluding the UK and including the European Development Fund.
Source: EPRS. Multiannual Financial Framework for the years 2021-2027 and the New Own Resources

Relative to MFF 2014-2020 (excluding the UK but including the European Development Fund), MFF 2021-2027:

- reduces spending on cohesion policy by 11.5%, which is a reduction of €43 billion;
- reduces spending on common agricultural policy (CAP) by 13%, which is a reduction of €51.7 billion;
- increases spending on Horizon – the research and innovation programme – by 16%;
- increases spending on Erasmus by over 52%;
- allocates over €5 billion of the extra spending for the EU Border and Coast Guard in the migration and border management;
- increases the Asylum and Migration Fund by over 22% and doubles the Integrated Border Management Fund;

19 European Parliament Research Service. Future financing of the Union: MFF, Own Resources and Next Generation EU, 23 July 2020

- increases the European Defence Fund from €0.6 billion to €7 billion[20]

However:

- Some programmes are set to receive a share of a 'top-up' negotiated by the European Parliament, which will, on a yearly basis from 2022 increase MFF 2021-2027's spending limit from €1,074 billion to €1,085 billion (see below).
- Some of these programmes are also set to receive funding from NGEU. Adding in NGEU, spending on cohesion policy is set to increase by around 1% during MFF 2021-2027, relative to the previous MFF.[21]

A €5 billion 'Brexit Adjustment Reserve' was also agreed, which will give support to those countries most affected by the UK's withdrawal from the single market and customs union. The reserve will be a special instrument, sitting outside of the MFF's spending ceilings.

Top-ups

The European Parliament negotiated top-ups for some EU programmes. The top-ups mean that while the overall MFF 2021-2027 spending ceiling will start at €1,074 billion it will gradually be increased by €11 billion to €1,085 billion. The new mechanism is linked to the proceeds from competition fines collected by the EU and will result in an additional:[22]

- €3 billion for Horizon Europe
- €2.9 billion for EU4Health
- €1.7 billion for Erasmus+
- €1 billion for InvestEU
- €0.6 billion for Creative Europe
- €0.8 billion for Rights and Values
- €1 billion for Integrated Border Management Fund

The European Parliament has also negotiated spending for programmes financed from reallocations and margins within the MFF.[23]

---

20 European Parliament Research Service. Multiannual Financial Framework for the years 2021-2027 and the New Own Resources, 27 August 2020

21 NGEU includes €47.5 billion for ReactEU, which will provide additional funding for cohesion policy.

22 European Parliament Research Service. EU financing for 2021-2027, December 2020

23 Includes €2.5 billion from margins left unallocated within the ceilings set by the European Council in July 2020; €1 billion from reflows from the ACP Investment Facility (European Development Fund); €0.5 billion from decommitted appropriations in the area of research. These funds will be allocated to: Neighbourhood, Development and International Cooperation Instrument (€1 billion); Horizon Europe (€1 billion); Erasmus+ (€0.5 billion); European Border and Coast Guard (€0.5 billion); EU4Health (€0.5 billion); Humanitarian Aid (€0.5 billion)

Box 5: Further information about MFF 2021-2027 and NGEU

Further information about MFF 2021-2027, NGEU and own resources are available in the following:

- European Parliament Research Service. Multiannual Financial Framework for the years 2021-2027 and the New Own Resources, 30 April 2021
- European Parliament Research Service. EU financing for 2021-2027, December 2020
- European Parliament, 2021-2027 MFF: Legislative train [accessed on 5 May 2021]
- European Parliament, Recovery and Resilience Facility: Legislative Train [accessed on 5 May 2021]
- European Council Press Release, Multiannual financial framework for 2021-2027 adopted, 17 December 2020
- European Council, Infographic - EU budget 2021-2027 and recovery plan [accessed on 5 May 2021]
- European Parliament Research Service. Future financing of the Union: MFF, Own Resources and Next Generation EU, 23 July 2020
- European Scrutiny Committee. Eighteenth Report of Session 2019–21, 29 July 2020
- European Parliament. Legislative package for the system of own resources of the EU after 2020 [accessed on 5 May 2021]

NGEU

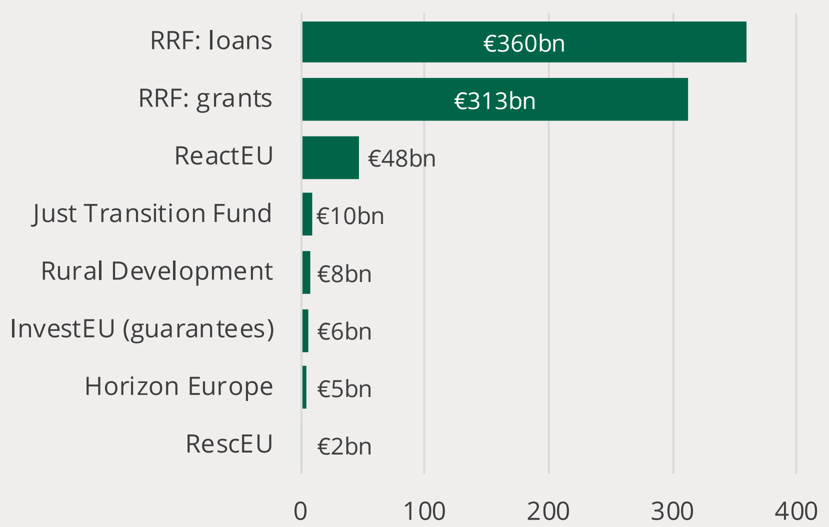
The NGEU will sit alongside, but not be part of, MFF 2021-2027. It is a temporary instrument aimed at supporting the recovery and resilience of EU economies following the coronavirus pandemic. The European Commission will borrow €750 billion from the capital markets to fund NGEU.

Spending from the fund

Most of the €750 billion has been allocated to the Recovery and Resilience Facility (RRF). Loans of up to €360 billion will be provided from the RRF along with €312.5 billion of grants. The remaining €77.5 billion of the €750 billion will top up spending programmes outside of the RRF, such as Horizon Europe.

90% of NGEU is for the Recovery & Resilience Facility

Programmes receiving NGEU funding, € billions (2018 prices)



Source: European Council. Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions, 21 July 2020

The Recovery and Resilience Facility (RRF)

The RRF aims to support "reforms and investments undertaken by Member States, with the aims of mitigating the economic and social impact of the coronavirus pandemic and of making the EU economies more sustainable, resilient and better prepared for the challenges posed by the green and digital transitions".[24]

A formula allocates RRF grants to Member States. Member States will be allocated grants to be spent in 2021 and 2022 based on population, relative unemployment rate[25] and relative living standards.[26] 70% of the RRF grants will be allocated in this way. The formula will be adjusted for the final year of grants (2023) with loss in economic output during 2020-2021 replacing relative unemployment rate in the calculation.[27] The distribution means that those countries facing the biggest economic challenges should receive relatively more from the RRF.[28]

To access the RRF, Member States are submitting plans to the Commission setting out their reform and investment plans for 2021-2023.[29] The Commission are assessing Member States' plans and the European Council will approve them before funding is provided.[30] The plans will be assessed against criteria including strengthening the growth potential, job creation and economic and social resilience. Effective contribution to the green and digital transition will be a prerequisite for a positive assessment. The financial support will be disbursed in instalments when milestones and targets identified in these plans are reached.

Member States can request RRF loans for implementing their reforms and public investments in the plans they submit to the Commission. Only Member States who can't borrow more cheaply from capital markets themselves are expected to request RRF loans.

Raising the €750 billion

The Commission will borrow the €750 billion for the NGEU from the capital markets.[31] These debt bonds will be repaid from the EU budget

24 European Commission. EU budget for recovery: Recovery and Resilience Facility, 28 May 2020;
25 Relative unemployment rate over the period 2015-2019
26 Gross domestic product per capita in 2019
27 European Council. Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions, 21 July 2020, para A16
28 *"ECB calls on Brussels to make recovery fund permanent"*, FT, 23 September 2020; ECB. The fiscal implications of the EU's recovery package, 23 September 2020; European Commission, Recovery and Resilience Facility – Grants allocation per Member State [accessed on 5 May 2021]
29 See European Commission, The Recovery and Resilience Facility, for more information.
30 The assessment of the recovery and resilience plans shall be approved by the Council, by qualified majority on a Commission proposal, through an implementing act. The EPRS' Recovery and Resilience Facility briefing includes a timeline.
31 The Commission shall be empowered to do so through the Own Resources Decision

from 2028, over a period of thirty years. €12.9 billion is allocated in MFF 2021-2027 for interest payments due on NGEU borrowing.[32]

Any new own resources introduced after 2021 (see below) will raise money for early repayment of NGEU borrowing.

Own resources

There is an annual ceiling on Member States own resources contributions. The ceiling is designed to provide Member States with predictability about their contributions. The ceiling is being raised from 1.20% of EU GNI to 1.40% on account of economic uncertainties and Brexit. A further increase of 0.6% points (taking the ceiling to 2% of EU GNI) is being made to cover the costs of NGEU borrowing.[33]

A new own resource based on the amount of non-recycled plastic waste in each Member State will be introduced from 1 January 2021. The tax aims to incentivise Member States to reduce such waste and the Commission estimates that it might raise between €4 billion - €8 billion per year.[34] The European Council has asked the Commission to make proposals for other new own resources: a carbon border adjustment mechanism and a digital levy, and a revised proposal linked to the EU's Emissions Trading System (ETS).[35] The Council also commits to working towards introducing other own resources, including a financial transactions tax. The proceeds of the new own resources introduced after 2021 will be used for early repayment of NGEU borrowing.

Several Member States benefit from corrections and rebates on their contributions. The largest and most well-known was the rebate the UK received on its net contribution (see section 2.3). Following the UK's withdrawal, the Commission hoped that the complex system of corrections and rebates could be phased out during 2021-2027.[36] However, the coronavirus pandemic has led the Commission to put a hold on this aim as it "would entail disproportionate increases of contributions for certain Member States in the next long-term budget". Denmark, Germany, the Netherlands, Austria and Sweden will receive annual lump sum reductions over the 2021-2027 period.

32 European Council. Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions, 21 July 2020, para 74

33 European Parliament. The system of own resources of the EU after 2020: Legislative Train [accessed on 5 May 2021]; European Council. Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions, 21 July 2020, para A28

34 COMMISSION STAFF WORKING DOCUMENT: Financing the EU budget: report on the operation of the own resources system SWD(2018) 172 final, May 2018, para 2.3.3

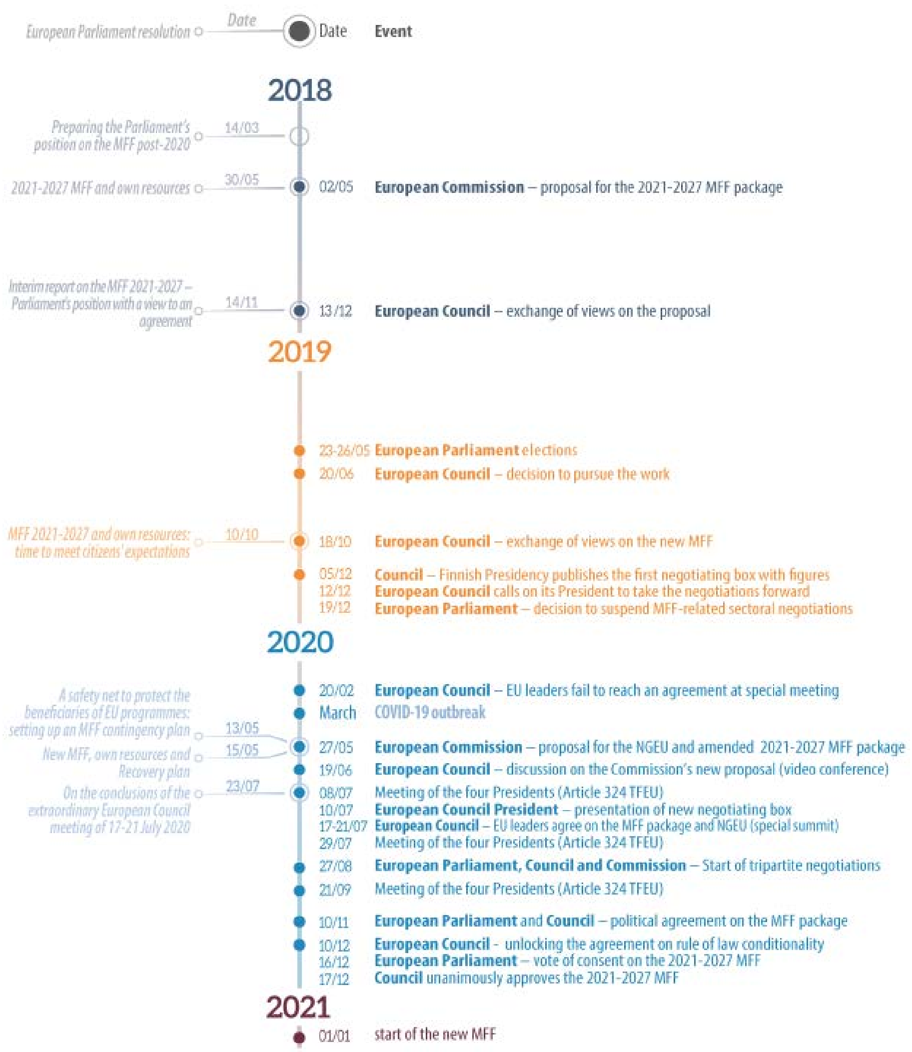
35 European Council. Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions, 21 July 2020, para A29

36 This was the Commission's proposal in May 2018: European Commission, A Modern Budget for a Union that Protects, Empowers and Defends The Multiannual Financial Framework for 2021-2027, May 2018, page 26

3.3 Timeline of MFF 2021-2027

The figure below (copied from the European Parliament Research Service's blog on [Multiannual Financial Framework for the years 2021 2027 and the New Own Resources]()) provides the timeline of MFF 2021-2027 since the Commission published its first proposals in May 2018.

Timeline of events leading to agreement on 2021-2027 MFF and NGEU



3.4 Implications for the UK

The UK left the EU on 31 January 2020 and the transition period will end at the end of 2020. However, MFF 2021-2027 has some relevance to the UK.

The agreement reached over the UK-EU future relationship (The UK-EU Trade and Cooperation Agreement) includes the UK's continued participation in the following programmes during MFF 2021-2027:

- Horizon Europe – the EU's research and innovation programme
- Euratom Research and Training programme
- International Thermonuclear Experimental Reactor (ITER) – the fusion test facility currently under construction in the South of France
- Copernicus – EU satellite system for monitoring the Earth

In addition, the UK will also have access to data generated by the EU's Space Surveillance & Tracking programme.

In return for this participation, the Government must make a financial contribution to the EU budget, which is – broadly speaking – calculated based on the EU's own spending on these programmes under MFF 2021-2027.

The European Scrutiny Committee discussed this issue in more detail prior to the UK and EU reaching an agreement on the programmes that the UK will participate in.[37]

The NGEU has no direct financial impact for the UK. The UK won't contribute to it nor receive funding from it. [38]

[37] European Scrutiny Committee, *Nineteenth Report of Session 2019–21*, 9 September 2020, HC 229-xv, section 6

[38] European Scrutiny Committee, *Eighteenth Report of Session 2019–21*, 29 July 2020, HC 229-xv, section 6

4. Member States' contributions and receipts

Summary

Generally speaking, the EU budget is redistributive:

- richer Member States contribute more to the EU budget than they receive from it – they are net contributors to the budget.
- poorer Member States receive more from the EU budget than they contribute to it – they are net recipients from the budget

In 2019 the UK made the second largest net contribution to the EU budget in absolute terms, and the sixth largest net contribution per head of population.

Whether a Member State is a net contributor to, or net recipient from, the EU budget does not constitute an economic assessment of its membership of the EU. It simply considers the direct flows of contributions and receipts to and from the EU budget. An economic assessment of membership must consider all costs and benefits of EU membership, not just those directly related to the EU budget.

In 2019 the UK made the second largest net contribution to the EU budget in absolute terms, and the sixth largest net contribution per head of population. The UK's net contribution was €9.5 billion (£8.4 billion), or €143 per head (£126 per head) of population in 2019.[39] The figures are based on the European Commission's published data.

Box 6: Different ways to measure the UK's net contribution

There are different ways of calculating the UK's net contribution to the EU budget. Figures produced by HM Treasury, not discussed in this briefing, only include EU receipts that are allocated directly to the UK government to manage. The Commission's data, used in this briefing, also includes funding that it allocates directly to UK organisations.

HM Treasury also allocate payments to years differently to the European Commission.

This briefing uses the Commission's data as it is the only source which offers comparable data across Member States.

There is more on this in the Library briefing The UK's contribution to the EU budget.

The net contribution shouldn't be confused with an assessment of the overall economic benefit, or cost, to the UK of being in the EU. The net contribution simply looks at the direct flows of contributions to the EU Budget from the UK and spending, or receipts, from the EU to the UK. It doesn't, for instance, consider benefits to the UK exchequer from being a member of the single market. A number of bodies have attempted an economic cost-benefit analysis of the UK's EU membership, some of which are discussed in section 6 of the Library's briefing In brief: UK-EU economic relations.

39 Figures converted to £s using HMRC average exchange rate for 2019

Generally speaking, the richer Member States are net contributors to the EU budget; in other words, they contribute more to the budget than they receive from it. As the chart overleaf shows, in absolute terms, Germany made the largest net contribution in 2019, followed by the UK and France. Per head of population Netherlands made the largest net contribution, followed by Denmark, Germany, Sweden, Austria and the UK, as is shown in the chart on page 24.

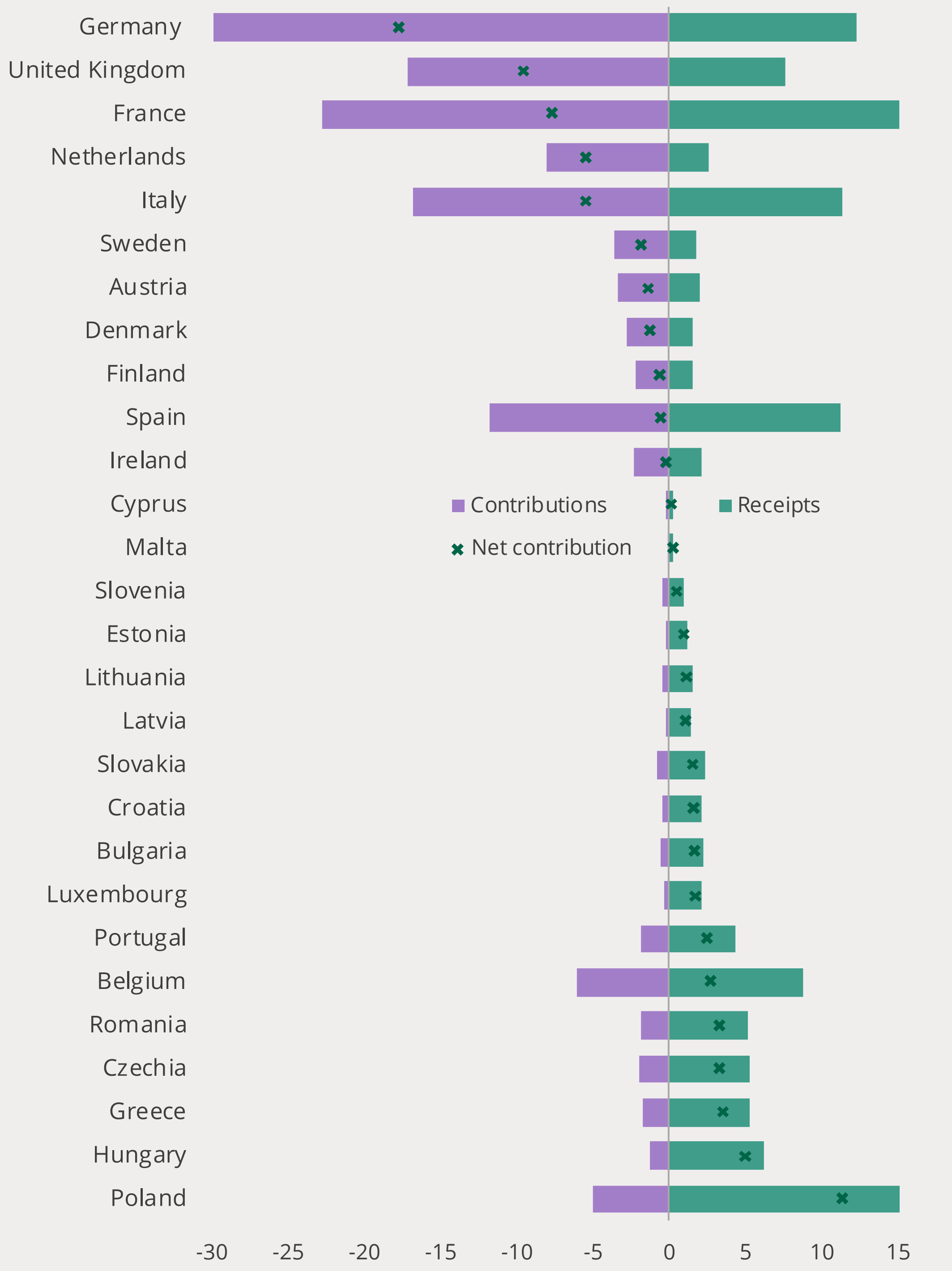
Generally speaking, richer Member States contribute more to the EU budget than they receive from it. Poorer Member States receive more from the EU budget than they contribute to it.

Poorer states are generally net recipients – they receive more from the EU budget than they pay in. The 15 states with the lowest GNI per head of population are all net recipients from the EU budget.

There are exceptions to the above statements. Most notably, given their relative economic prosperity, Belgium and Luxembourg are relatively large net recipients from the EU budget. This is largely because they are home to the EU's headquarters and therefore receive large amounts of the EU's administration spending. This spending doesn't disproportionately benefit the citizens of Belgium and Luxembourg and needs to be taken into account when considering the extent to which the people of these countries benefit from the EU budget. The Institute for Fiscal Studies – an economic think tank – looked at the EU budget for 2014 and made some adjustments for the administrative spending. After the adjustments Luxembourg remained a net recipient, although to a much smaller extent, and Belgium became a net contributor.

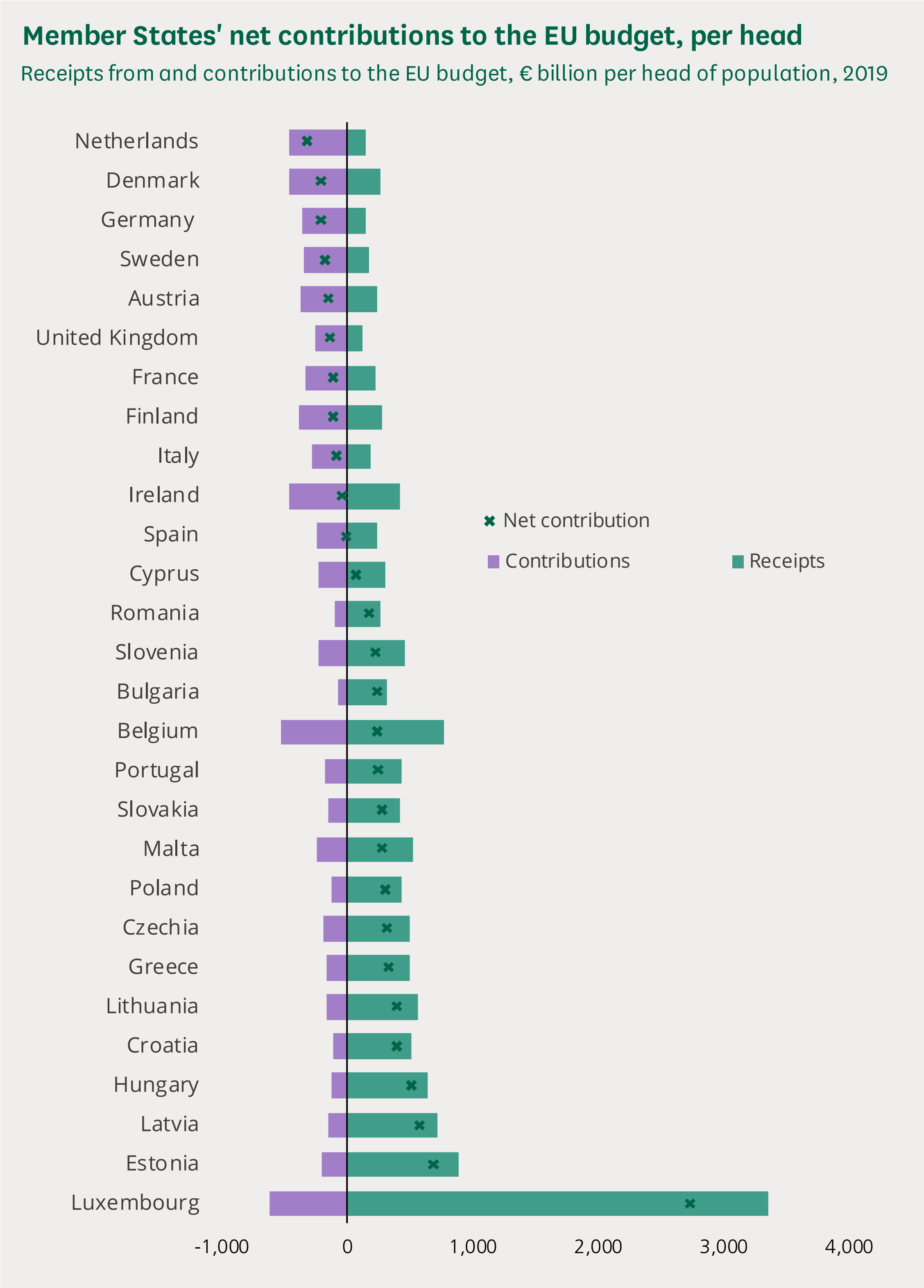
Member states' net contributions to the EU budget

Receipts from and contributions to the EU budget, € billion, 2019



notes: * since the EU's headquarters are based in Luxembourg and Belgium these Member States receive large amounts of money from the EU. However, it isn't correct to say that residents of these countries benefit disproportionately from this administrative expenditure.

source: European Commission. [EU expenditure and revenue 2014-2020]



notes: * since the EU's headquarters are based in Luxembourg and Belgium these Member States receive large amounts of money from the EU. However, it isn't correct to say that residents of these countries benefit disproportionately from this administrative expenditure.

Sources: European Commission. [EU expenditure and revenue 2014-2020]

Eurostat (demopjan)

Appendix 1: Multiannual financial framework – further details

MFF 2014-20: negotiations

When the Council adopted the MFF regulation on 2 December 2013 it brought to an end negotiations between the EU institutions which began two and a half years prior.[40]

Negotiations began with the Commission putting forward an initial draft proposal. Spending commitments in the adopted MFF regulation were 7.1% lower than in the Commission's draft proposal.

European Commission

The Commission proposed a draft MFF Regulation in June 2011.[41] The proposal froze spending limits at their 2013 level. Amendments were made in July 2012 to take into account Croatia's accession (scheduled for mid-2013), the Commission's new macroeconomic forecasts and new regional and national economic data.[42] The amended draft proposed commitments of €1,033 billion and payments of €988 billion.

European Council

At a European Council meeting on 7-8 February 2013 political agreement was reached on the MFF regulation, as detailed in the meeting's conclusions.[43,44]

The agreement set the spending limit for commitments at just under €960 billion. This is a real terms reduction of 3.5% compared with MFF 2007-13 and 7.1% below the Commission's proposals.[45] The agreement set a payments limit of €908 billion, 8.4% below the Commission's proposals.

Political agreement reached

June 2013 saw the Presidents of the Commission, the European Parliament and the Council reach political agreement on an MFF package that confirmed the limits proposed by the European Council, and also included more flexibility for payments and commitments.[46,47]

---

40 The Council of the European Union COUNCIL REGULATION laying down the multiannual financial framework for the years 2014-2020, 25 November 2013
41 COM(2011) 398 final, 29 June 2011
42 COM(2012) 388 final, 6 July 2012
43 European Council. 7/8 February 2013. Conclusions (Multiannual Financial Framework), 8 February 2013
44 A previous meeting, held on 22- 23 November 2012, failed to reach agreement.
45 Council of the European Union website, Summary of the European Council agreement, accessed 4 Mar 2013
46 European Commission Press Release, Political Agreement on EU's Future Budget 2014 -2020, 27 June 2013
47 Further details of these flexibilities are available from the European Commission website: http://ec.europa.eu/budget/mff/introduction/index_en.cfm

European Parliament and adoption

On 19 November 2013, the European Parliament gave its consent to the MFF regulation[48] paving the way for the Council to adopt the regulation on 2 December 2013.

The European Parliament gave its consent once conditions that it was concerned with, and had raised after the June 2013 political agreement, were met. The major conditions were for all outstanding bills for 2013 to be settled and a high-level group on own resources to be set up (see below).[49]

MFF 2014-20: revision

The late adoption of the MFF 2014-20 meant that some of the funds allocated for 2014 were not able to be used in that year. The MFF has been revised, and adopted, to ensure that the programmes could be fully implemented in 2015.[50]

The programmes affected include: the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development, the European Maritime and Fisheries Fund, the Asylum, Migration and Integration Fund, and the Internal Security Fund (ISF).

MFF 2014-20: mid-term review

The deal negotiated on the MFF included the promise of a review of MFF 2014-20 in 2016 at the latest. The review was to allow for a new European Parliament and Commission to reassess the MFF's priorities, and potentially revise the MFF 2014-20 regulation.

The agreement reached[51] between the Council and Parliament on the mid-term review sees additional support of around €6 billion for the MFF (15% redeployments, 85% unallocated resources). The amount is distributed between new objectives and some already existing spending programmes. €2.4 billion is for jobs and growth, and €3.9 billion is for migration and security.

There is more on the review in the following publications:

- European Parliament Research Service, 2014-2020 Multiannual Financial Framework (MFF): Mid-term revision, July 2017
- European Parliament, Multiannual Financial Framework, May 2017

48 European Parliament, European Parliament legislative resolution of 19 November 2013 on the draft Council regulation laying down the multiannual financial framework for the years 2014–

49 European Parliament, Long-term EU budget negotiations: EP sets out its stance, News Release ref: 20130312IPR06440, 13 March 2013

50 For further detail see: Council of the European Union press release, EU budget: Council preserves funds for promoting growth and jobs, 21 April 2015; and, European Parliament Research Service, Revision of the Multiannual Financial (Article 19, MFF Regulation) 23 March 2015

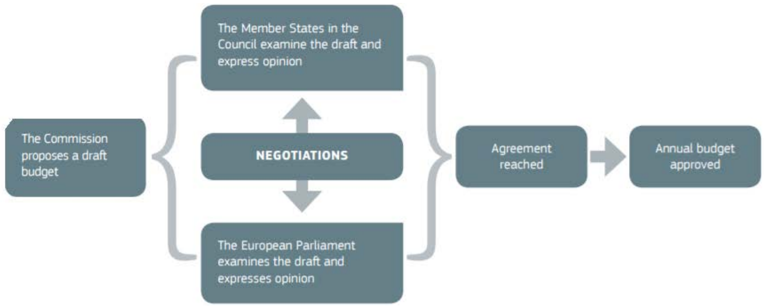
51 Council Regulation (EU, Euratom) 2017/1123 of 20 June 2017

Appendix 2: annual budget process

The process

Each year the EU's annual budget is negotiated by the Commission, Council and European Parliament. The budget is negotiated within the spending limits set out in the MFF.

The process is set out in some detail below, but the Commission has summarised it in the below image.



Commission's draft budget

The annual budget cycle begins with the Commission proposing a draft budget based on the MFF. The current MFF was set at 2011 prices and an adjustment is made at the beginning of each year to take account of changes in Gross National Income (GNI) forecasts, price changes and other 'technical' changes.

The Commission must submit its draft budget to the Council and European Parliament by 1 September of the preceding year. In practice, the Commission aims to present the draft budget in April/May.

The Council's and European Parliament's reading

The Council adopts its position on the draft budget and passes it to the European Parliament before 1 October. The budget is then adopted if, within 42 days, the European Parliament either approves the Council's position or does not take a decision. If the European Parliament does make amendments and these are accepted by the Council within 10 days then the budget can also be adopted.

Conciliation Committee

If agreement cannot be reached between the Council and the European Parliament a Conciliation Committee is set up, composed of the members of the Council or their representatives and an equal number of members representing the European Parliament. The Committee is tasked with reaching agreement on a joint text within a period of 21 days. If this fails then the Commission has to produce a new draft budget.

Once a joint text is agreed by the Conciliation Committee in early November, the Council and the European Parliament have 14 days to approve or reject it. The European Parliament may adopt the budget even if the Council rejects the joint text. If the Council and the European

Parliament both reject the joint draft or fail to decide, the budget is rejected and the Commission has to submit a new draft budget.

Failure to adopt a budget

If, at the beginning of the year, the budget has not yet been definitively adopted, the system of 'provisional twelfths' kicks in, essentially rolling over 1/12 of the previous year's budget each month.

The annual budget: amending budgets

The Commission may during the year propose the adopted budget be amended; it does this by submitting draft amending budgets. Similarly the Commission may present a letter of amendment to the draft budget in the light of information which was not available when the draft was established.

The 2020 budget

European Commission's draft

The Commission presented the 2020 draft budget on 5 June 2019. The Commission proposals amounted to commitments of €168.3 billion and payments of €153.7 billion. These figures represent a 1.3% increase in commitments and a 3.5% increase in payments in cash terms compared with the 2019 budget.[52,53]

Council's position

The Council formally adopted its position on the 2020 draft budget on 3 September. The Council's position is for commitments of €166.8 billion and payments of €153.1 billion. These figures – which are lower than Commission's proposals – represent a 0.6% increase in commitments and a 3.3% increase in payments in cash terms compared with 2019.[54]

Parliament's position

The Parliament adopted it position on 23 October, calling for higher commitments (€171.0 billion) and payments (€159. 1 billion) than in the Commission's draft.[55]

Conciliation Committee

On 24 October, the Council informed the Parliament that it cannot accept all its amendments for the 2019 budget. This triggered a three-week conciliation period beginning on 30 October and ending on 19 November.

On 18 November 2020, the European Parliament and the Council reached a provisional agreement on the 2020 EU budget. Commitments will be set at €168.7 billion and payments at €153.6 billion.[56] The agreement was endorsed by the Council on 25 November and approved by the European Parliament on 27 November.

2020 budget negotiations

Commission draft budget proposed commitments of €168.3bn and payments of €153.7bn.

The Council proposed commitments of €166.8bn and payments of €153.1bn.

The Parliament proposed commitments of €171.0bn and payments of €159.1bn.

Agreement was reached in conciliation committee with commitments of €168.7bn and payments of €153.6bn

52 Commission Press Release, EU budget 2020: Commission focuses its proposal on jobs, growth and security, 5 June 2019
53 European Parliament Research Service, 2019 draft EU budget: Mandate for trilogue, July 2018
54 Council Press Release, 2020 EU budget: Council supports continued focus on growth, innovation, security and migration , 3 Sep 2019
55 European Parliament resolution of 23 October 2019 on the Council position on the draft general budget of the European Union for the financial year 2020
56 Council Press Release, 2020 EU budget: Council and Parliament reach agreement

The 2019 budget

European Commission's draft

The Commission presented the 2019 draft budget on 23 May 2018. The Commission proposals amounted to commitments of €165.6 billion and payments of €148.7 billion. These figures represent a 3.1% increase in commitments and a 2.7% decrease in payments in cash terms compared with the 2018 budget.[57,58]

Council's position

The Council formally adopted its position on the 2019 draft budget on 4 September. The Council's position is for commitments of €164.1 billion and payments of €148.2 billion. These figures – which are lower than Commission's proposals – represent a 2.1% increase in commitments and a 2.3% increase in payments in cash terms compared with 2018.[59]

Parliament's position

The Parliament adopted it position on 24 October 2018, calling for higher commitments (€166.3 billion) and payments (€149.3 billion) than in the Commission's draft.[60]

Conciliation Committee

On 24 October, the Council informed the Parliament that it cannot accept all its amendments for the 2019 budget. This triggered a three-week conciliation period beginning on 30 October and ending on 19 November.

On 19 November the Council and European Parliament ended negotiations without reaching agreement. The Commission will now present a new draft budget.

Agreement reached

On Tuesday 4 December, the European Parliament and the Council, with the support of the Commission, reached a provisional agreement on the 2019 EU budget. Commitments will be set at €165.8 billion and payments at €148.2 billion.[61] The agreement was endorsed by the Council on 11 December 2018 and approved by the European Parliament on 12 December.

2019 budget negotiations

Commission draft budget proposed commitments of €165.6bn and payments of €148.7bn.

The Council proposed commitments of €164.1bn and payments of €148.2bn.

The Parliament proposed commitments of €166.3bn and payments of €149.3bn.

Conciliation Committee failed to reach agreement.

Agreement was reached with commitments of €165.8bn and payments of €148.2bn.

57 Commission Press Release, 2019 EU Budget: Commission proposes a budget focused on continuity and delivery – for growth, solidarity, security, 23 May 2018
58 European Parliament Research Service, 2019 draft EU budget: Mandate for trilogue, July 2018
59 Council Press Release, EU budget for 2019: Council agrees its position, 4 Sep 2018
60 European Parliament resolution of 24 October 2018 on the Council position on the draft general budget of the European Union for the financial year 2019
61 Council Press Release, Provisional agreement reached on EU budget for 2019

The 2018 budget

European Commission's draft

The Commission presented the 2018 draft budget on 30 May 2017. The Commission proposals amounted to commitments of €160.6 billion and payments of €145.4 billion. These figures represent a 1.7% increase in commitments and an 8.1% decrease in payments in cash terms compared with the 2017 budget.[62][63]

Council's position

The Council formally adopted its position on the 2018 draft budget on 4 September 2017. The Council's position is for commitments of €158.9 billion and payments of €144.4 billion. These figures – which are lower than Commission's proposals – represent a 0.6% increase in commitments and a 7.4% increase in payments in cash terms compared with 2017.[64]

Parliament's position

The Parliament adopted it position on 25 October 2017, calling for higher commitments (€162.6 billion) and payments (€146.7 billion) than in the Commission's draft.[65]

Conciliation Committee

The Council informed the Parliament that it cannot accept all its amendments for the 2018 budget. This triggered a three-week conciliation period beginning on 31 October and ending on 20 November.

The Conciliation Committee reached agreement on commitments of €160.1 billion and total payments at €144.7 billion.[66] The EU budget for 2018 was adopted on 30 November following the Council's and Parliament's go-ahead.[67]

2018 budget negotiations

Commission draft budget proposed commitments of €160.6bn and payments of €145.4bn.

The Council proposed commitments of €158.9bn and payments of €144.4bn, an increase of 0.6% and 7.4% respectively on 2017.

The Parliament proposed commitments of €162.6bn and payments of €146.7bn.

Agreement was reached in conciliation committee with commitments of €160.1bn and payments of €144.7bn

62 European Commission Press Release, 2018 EU budget: Commission proposes budget with focus on jobs, investments, migration and security, 30 May 2017

63 % changes include amending budgets 1 and 2 for 2017. Data are from EU's draft general budget of the EU for the financial year 2018, 7 July 2017, page 27

64 European Council Press Release, Council agrees its position for the 2018 EU budget and backs increase of 2017 EU budget, 12 July 2017

65 European Parliament resolution of 25 October 2017 on the Council position on the draft general budget of the European Union for the financial year 2018

66 Includes amending letter 1. The amending letter reduces commitments by around €0.3 billion and payments by around €0.1 billion.

67 Council Press Release, 2018 EU budget adopted

The 2017 budget

European Commission's draft

The Commission presented the 2017 draft budget on 30 June 2016.[68] The Commission proposals amounted to commitments of €157.7 billion and payments of €134.9 billion. These figures represent a 1.7% increase in commitments and a 6.2% decrease in payments in cash terms compared with the 2016 budget.[69]

Council's position

The Council adopted its position on the 2017 draft budget on 12 September 2016. The Council's position is for commitments of €156.4 billion and payments of €133.8 billion. These figures – which are lower than Commission's proposals – represent a 0.9% increase in commitments and a 7.0% decrease in payments in cash terms compared with 2016.[70]

Parliament's position

The Parliament adopted it position on 26 October 2016, calling for higher commitments (€162.4 billion) and payments (€138.0 billion) than in the Commission's draft.[71,72]

Conciliation Committee

The Council informed the Parliament that it cannot accept all its amendments for the 2017 budget. This triggered a three-week conciliation period beginning on 28 October and ending on 17 November.

The Conciliation Committee reached agreement on commitments of €157.86 billion and total payments at €134.49 billion. The EU budget for 2017 was adopted on 1 December following the Council's and Parliament's go-ahead.[73]

2017 budget negotiations

Commission draft budget proposed commitments of €157.7bn and payments of €134.9bn.

The Council proposed commitments of €156.4bn and payments of €133.8bn.

The Parliament proposed commitments of €162.4bn and payments of €138.0bn.

Agreement was reached in conciliation committee with commitments of €157.9bn and payments of €134.5bn

68 European Commission, Draft General Budget 2017, June 2016
69 European Commission Press Release, Draft EU Budget 2017: Commission proposes a budget focused on priorities - growth, jobs and a solid response to the refugee crisis, 30 June 2016 & House of Commons European Scrutiny Committee, Eight Report of Session 2016/17, HC71-vi, Chapter 2, 19 July 2016
70 European Council Press Release, EU budget for 2017: Council sets out its position, 12 September 2016
71 European Council Press Release, EU 2017 budget: Council cannot accept EP amendments, 26 October 2016.
72 Figures include appropriations for special instruments
73 Council Press Release, EU Budget for 2017

The 2016 budget

On 14 November 2015, the Council and the European Parliament reached an agreement on the 2016 EU budget. Meeting in the Conciliation Committee they agreed to set commitments at €155.0 billion and payments at €143.9 billion.

European Commission's draft

The Commission presented the 2016 draft budget on 27 May 2015.[74] The Commission proposals amounted to commitments of €153.5 billion and payments of €143.5 billion; these figures represent a 5.2% decrease in commitments and a 1.6% rise in payments in cash terms compared with the 2015 budget.

The Council's and European Parliament's positions

The Council's position, adopted on 4 September, called for the draft budget to be reduced to €153.3 billion in commitments and €142.1 billion in payments.

On the other hand, the European Parliament called for increases to the draft budget. The Parliament's position, adopted on 28 October 2015, called for an increase of total commitments to €157.4 billion and total payments to €146.5 billion. The Parliament's positions were above the ceilings of the multiannual financial framework.[75]

Conciliation Committee

With the Council and European Parliament unable to agree, a Conciliation Committee was established on 29 October 2015. On 14 November 2015 an agreement was reached which sets commitments at €155.0 billion and payments at €143.9 billion.

On 24 November the Council approved the agreement. The budget for 2016 was adopted on 25 November, when the European Parliament confirmed the agreement.

2016 budget negotiations

Commission draft budget proposed commitments of €153.5bn and payments of €143.5bn

The Council proposed commitments of €153.3bn and payments of €142.1bn

Parliament proposed commitments and payments of €157.4bn and payments of €146.5 billion

Agreement was reached in conciliation committee with commitments of €155.0bn and payments of €143.9bn

74 European Commission, Draft General Budget 2016, May 2015
75 Council of the European Union Press release, *Conciliation to start on 2016 EU budget*, 28 October 2015

The 2015 budget

The 2015 annual budget was agreed in December 2014 following difficult negotiations between the European Parliament and the Council. Commitments are €145.3 billion and payments €141.2 billion;[76] these figures represent a 1.8% increase in commitments and a 0.6% rise in payments in cash terms compared with the 2014 budget.

A major stumbling block for negotiations was a growing backlog in payments that have affected the EU budget in recent years. The Council wanted to cut the Commission's estimates of the resources needed. The European Parliament supported stepping up efforts to tackle the payments backlog, to reduce its negative consequences on beneficiaries of EU funds.

European Commission's draft

The Commission presented the draft EU budget for 2015 in June 2014. The Commission proposed €145.6 billion in commitments, and payments of €142.1 billion.[77] In cash terms these figures represent a 2.1% increase in commitments and a 1.4% rise in payments compared with budget 2014.

The Council's and European Parliament's positions

The Council agreed amendments to this draft budget in September 2014, proposing to reduce the Commission's proposal for commitments to €145.1 billion and payments to €140.0 billion.[78]

2015 budget negotiations

Commission draft budget proposed commitments of €145.6bn and payments of €142.1bn

The Council proposed commitments of €145.1bn and payments of €140.0bn

Parliament proposed commitments and payments of €146.4bn

Conciliation Committee failed to reach agreement.

Commission proposed a new draft with commitments of €145.2bn and payments of €141.3bn

Agreement reached with commitments of €145.3bn and payments of €141.2bn

---

[76] Council of the European Union website: http://www.consilium.europa.eu/en/policies/eu-annual-budget/eu-budget-2015/

[77] EC news release, 2015 EU draft budget to help Europe's economic growth despite financial constraints, 11 June 2014; EC, Draft General budget of the European Union for the financial year 2015, 24 June 2014; and, European Scrutiny Committee, Fifth Report of Session 2014-15, 9 July 2014, HC 219-v 2014/15

[78] Council news release, Council adopts position on 2015 EU budget, 2 September 2014

In October 2014, the European Parliament provided its position,[79] which would have set both commitments and payments to €146.4 billion.

Conciliation Committee and a new draft

With the Council and European Parliament unable to agree, a Conciliation Committee was established. On 17 November 2014 negotiations failed. The Commission presented a new draft budget for 2015 on 27 November 2014, trying to strike a balance between the positions adopted by the Council and the European Parliament. The new draft proposed commitments of €145.2 billion and payments of €141.3 billion. In cash terms these figures represent a 1.8% increase in commitments and a 0.7% rise in payments compared with budget 2014.[80]

Agreement

On 8 December 2014 negotiators from the European Parliament and the Council reached an agreement on the 2015 budget. The compromise saw commitments of €145.3 billion and payments of €141.2 billion. The deal reached also included some measures to address the payment backlog.[81]

---

79 European Parliament, European Parliament resolution of 22 October 2014 on the Council position on the draft general budget of the European Union for the financial year 2015

80 EC press release, Budget 2015: Commission makes new proposal to Parliament and Council, 28 November 2014; EC Budget Online; European Scrutiny Committee, Twenty-Sixth Report of Session 2014-15, 10 December 2014, HC 219-xxv 2014/15

81 For further information see: European Parliament Research Service, The bumpy road to the 2015 EU budget, 11 December 2014.

The 2014 budget

The 2014 annual budget was the first executed under MFF 2014-20.[82] It was agreed in November 2013 following a Conciliation Committee. Commitments are €142.6 billion and payments €135.5 billion; both figures are 6.2% lower compared to the 2013 budget.

European Commission's draft

The Commission presented the draft EU budget for 2014 in June 2013. The Commission proposed €142.0 billion in commitments and payments of €135.9 billion;[83] both figures were 5.8% lower compared to the 2013 budget.

The Council's and European Parliament's positions

The Council agreed amendments to the draft budget in September 2013, proposing to reduce the Commission's proposal for commitments to €141.7 billion and payments to €134.8 billion.[84]

In October 2013, the European Parliament provided its position,[85] which would have set commitments to €142.6 billion and payments to €136.1 billion.

Agreement through Conciliation Committee

Agreement was reached through a Conciliation Committee in November 2013. The adopted 2014 EU budget provides for commitments of €142.6 billion and payments of €135.5 billion.[86]

2014 budget negotiations

Commission draft budget proposed commitments of €142.0bn and payments of €135.9bn

The Council proposed commitments of €141.7bn and payments of €134.8bn

Parliament proposed commitments of €142.6bn and payments of €136.1bn

Agreement was reached through Conciliation Committee with commitments of €142.6bn and payments of €135.5bn.

82 Further details are available in EC. Financial Year 2014. Report on budgetary and financial management
83 EC news release, Commission tables proposal in tune with today's Europe, 26 June 2013, and EC website
84 Council news release, Council adopts position on 2014 EU budget, 2 September 2013
85 European Parliament, European Parliament resolution of 23 October 2013 on the Council position on the draft general budget of the European Union for the financial year 2014
86 2014/67/EU, Euratom: Definitive adoption of the European Union's general budget for the financial year 2014

BRIEFING PAPER

Number 06455, 7 May 2021