

EU budget for the future

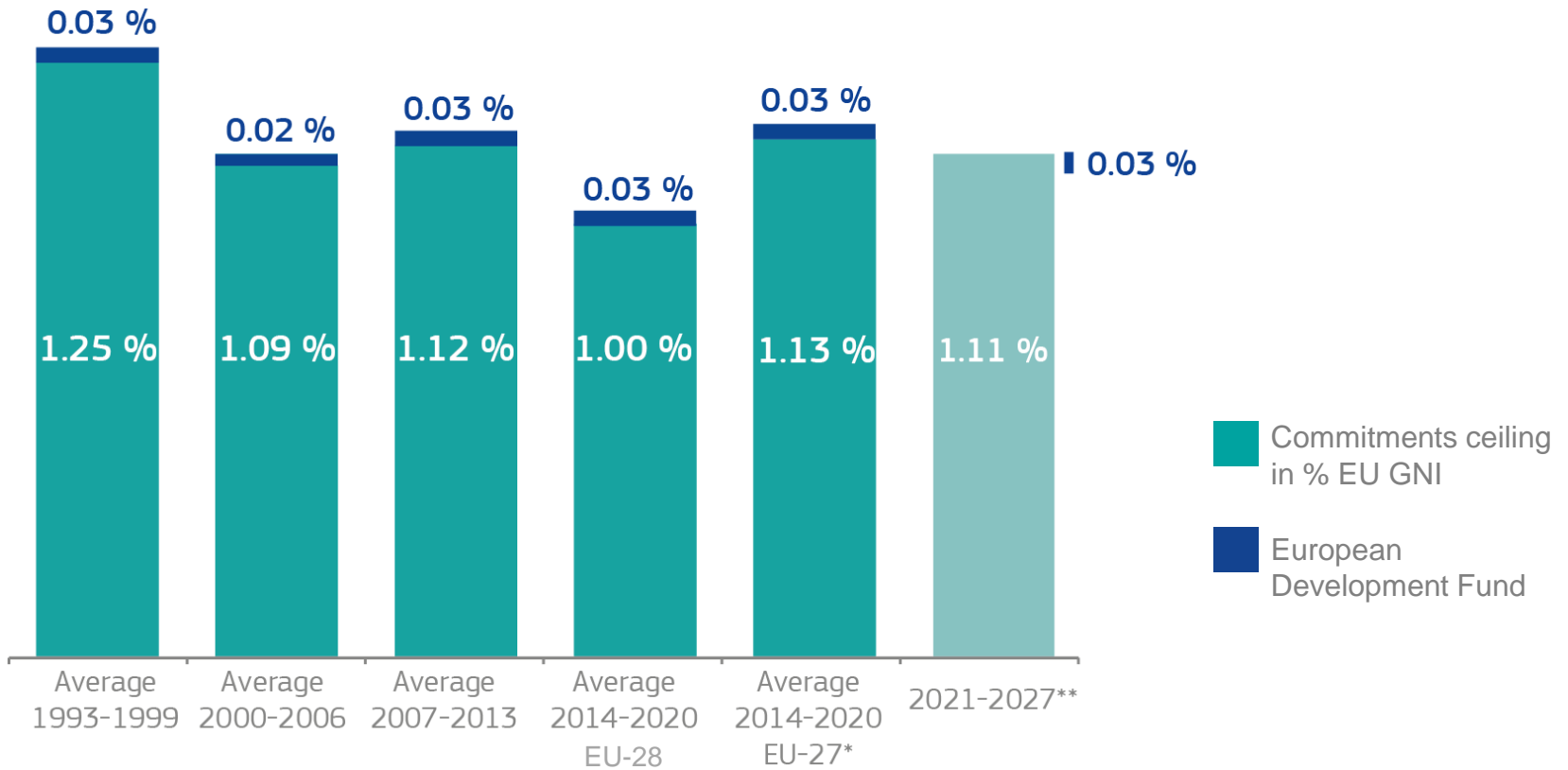
Technical briefing on EU's next long-term budget

5 November 2019





THE COMMISSION HAS PROPOSED PROPORTIONALLY LOWER EXPENDITURE COMPARED TO THE CURRENT LEVEL IN THE EU27



*2014-2020 estimated commitments

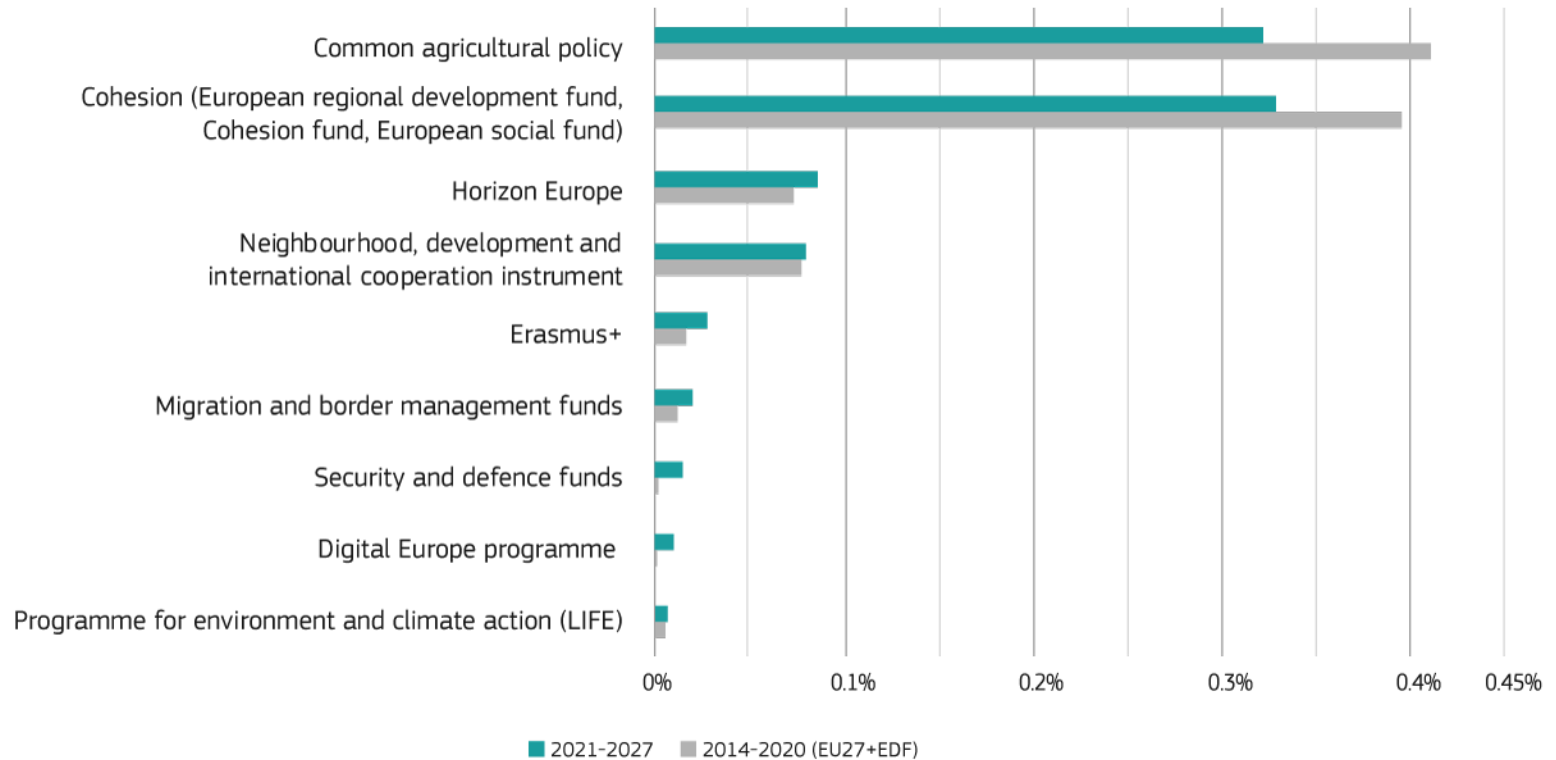
(UK expenditure excluded) in % EU27 GNI

** European Development Fund integrated ("budgetised")



A MODERN BUDGET FIT FOR THE NEW REALITIES

Financing for new and long-standing priorities (in % GNI EU27)

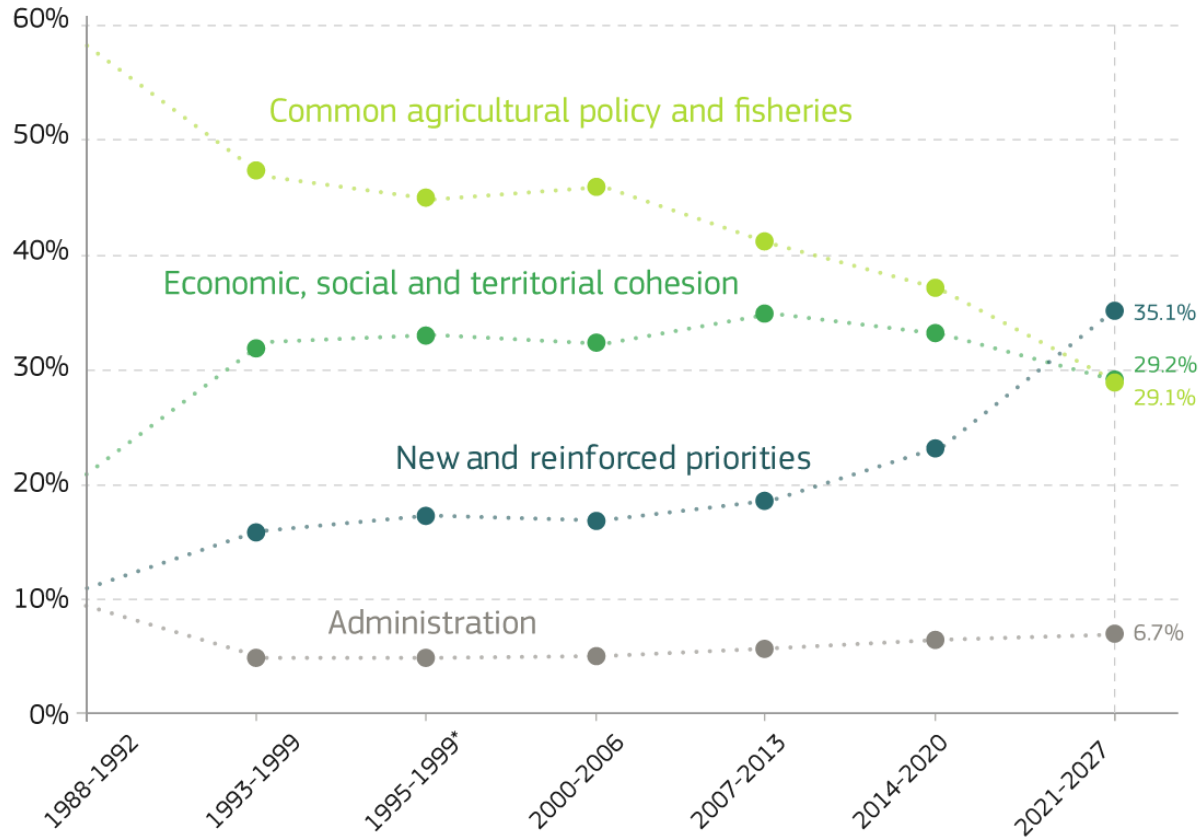


Source: European Commission



MATCHING PRIORITIES WITH RESOURCES

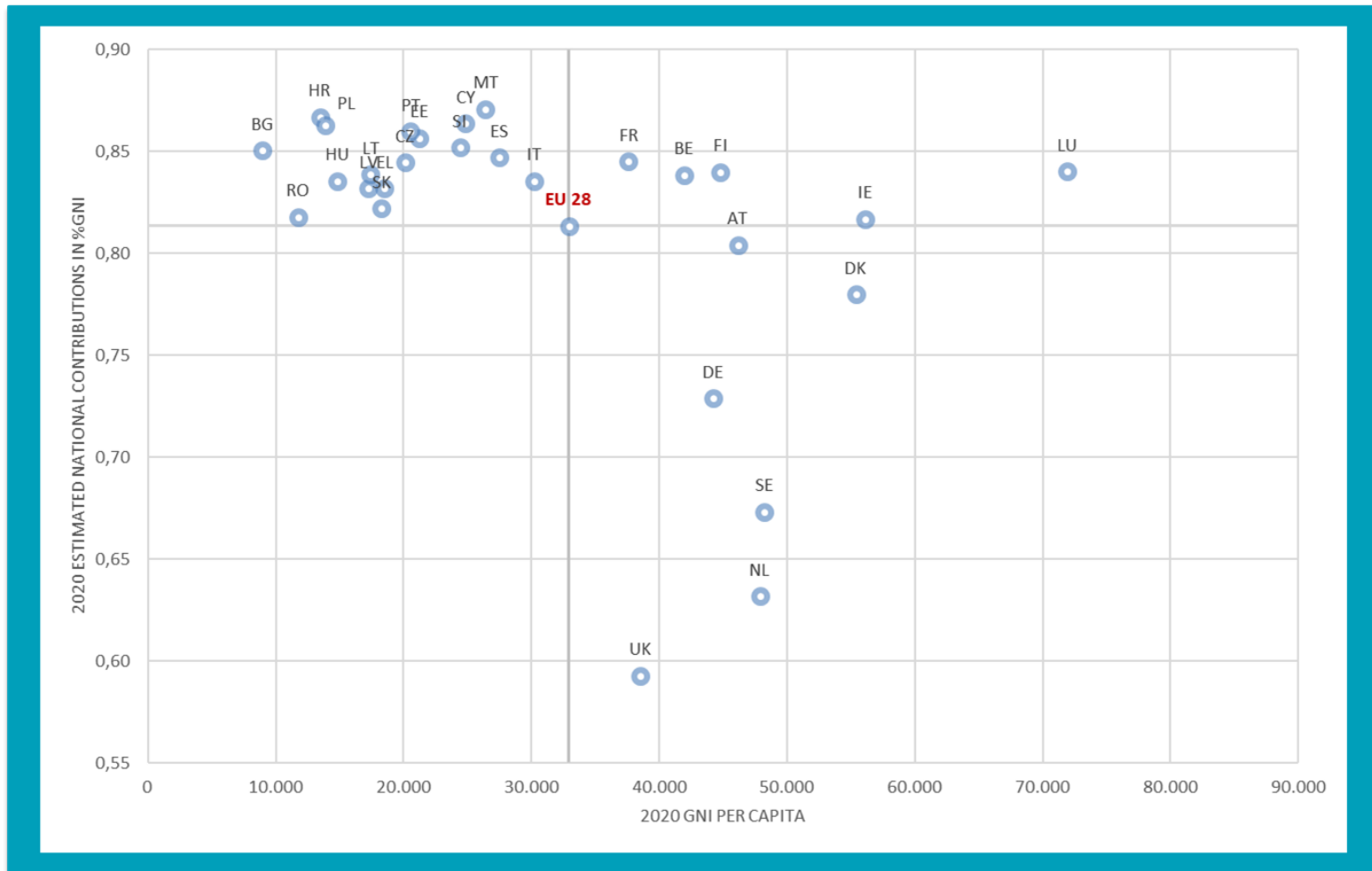
Evolution of main policy areas in the EU budget



*Adjusted for 1995 enlargement

Source: European Commission

2020 estimated* national contributions and GNI by Member State

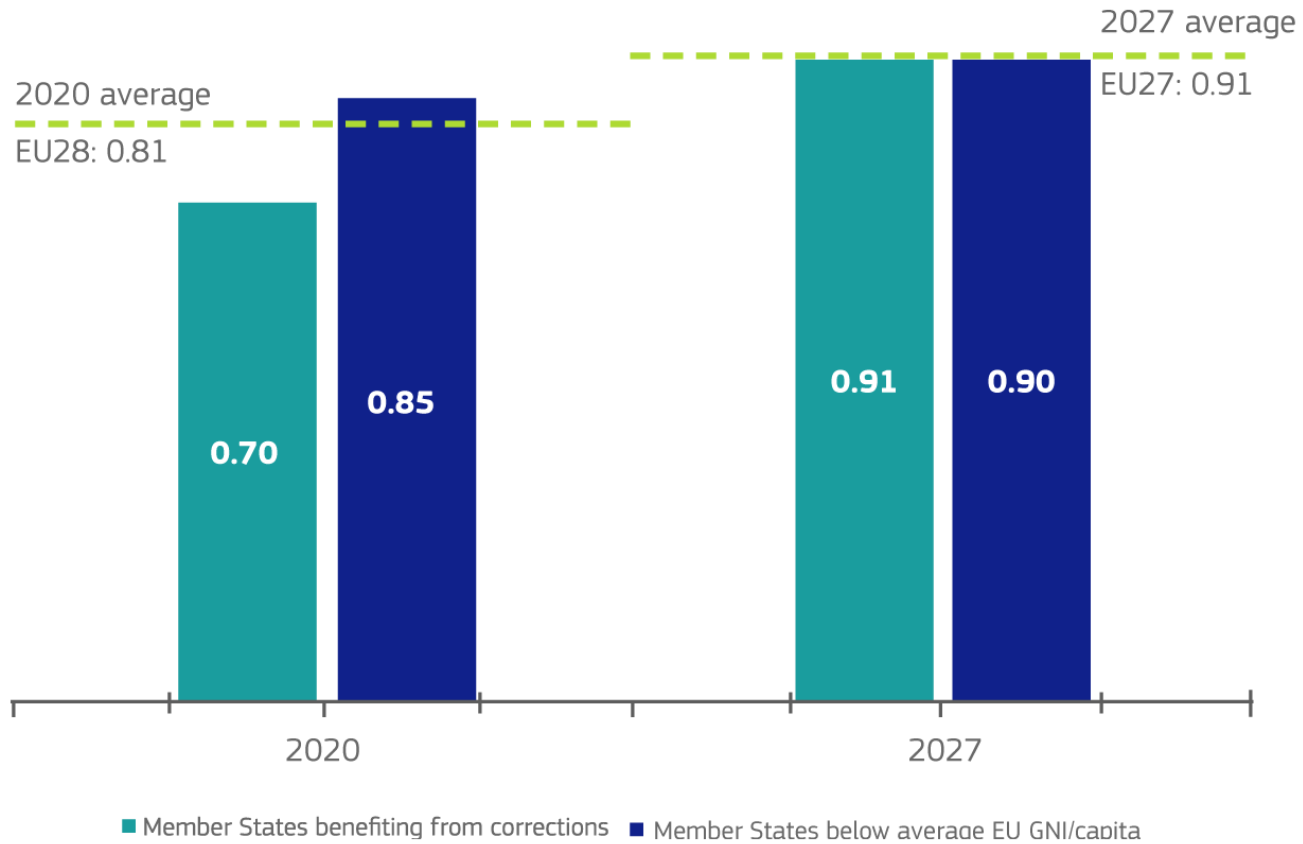


*Nat. contributions: GNI based on the Spring 2019 economic forecast; nat. contributions estimated based on Draft Budget 2020

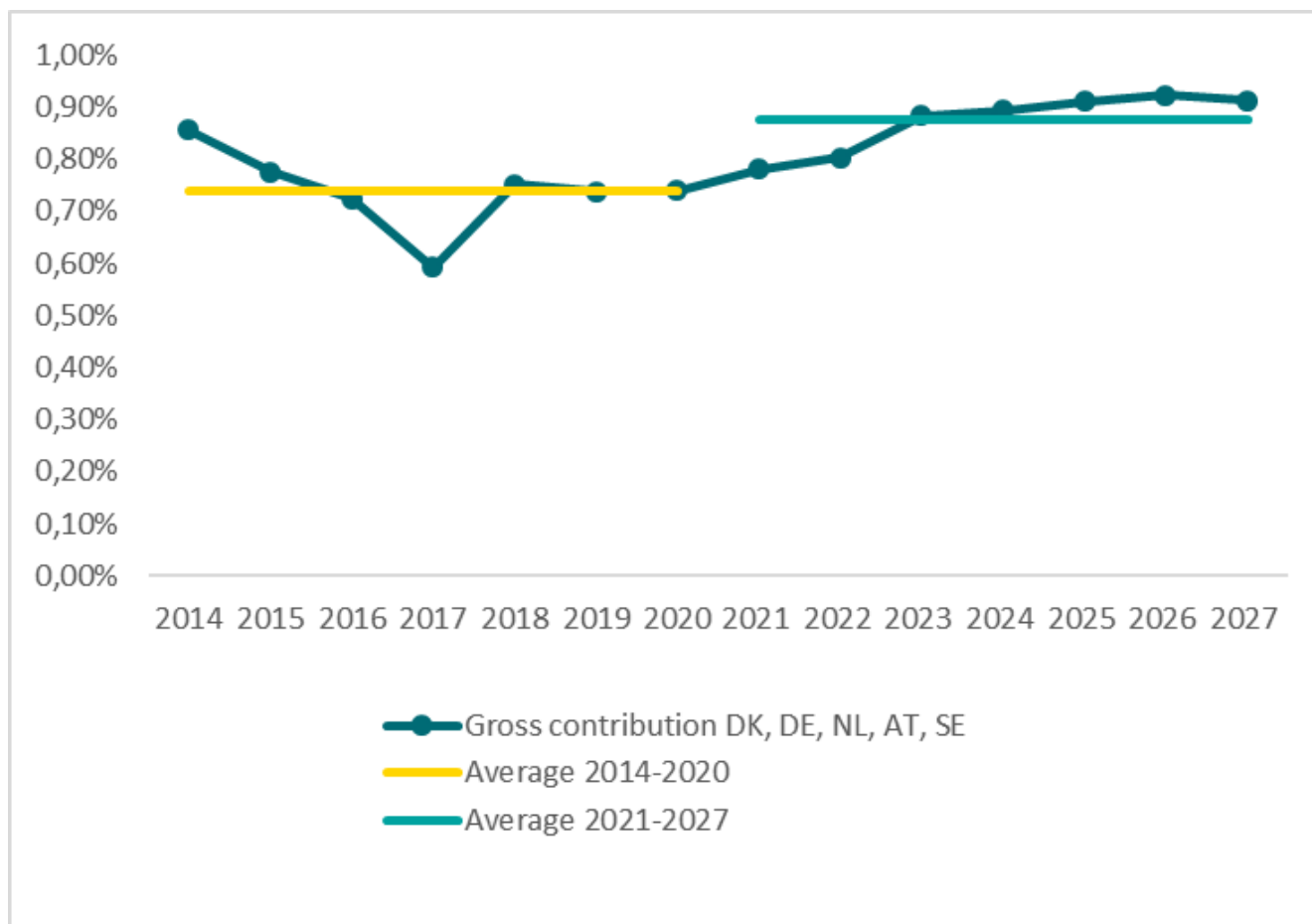


A FAIRER BUDGET

National contributions as a percentage of gross national income (GNI)



EVOLUTION OF CONTRIBUTIONS OF MS BENEFITTING FROM A REBATE (IN % GNI)



PROJECTION OF NATIONAL CONTRIBUTIONS

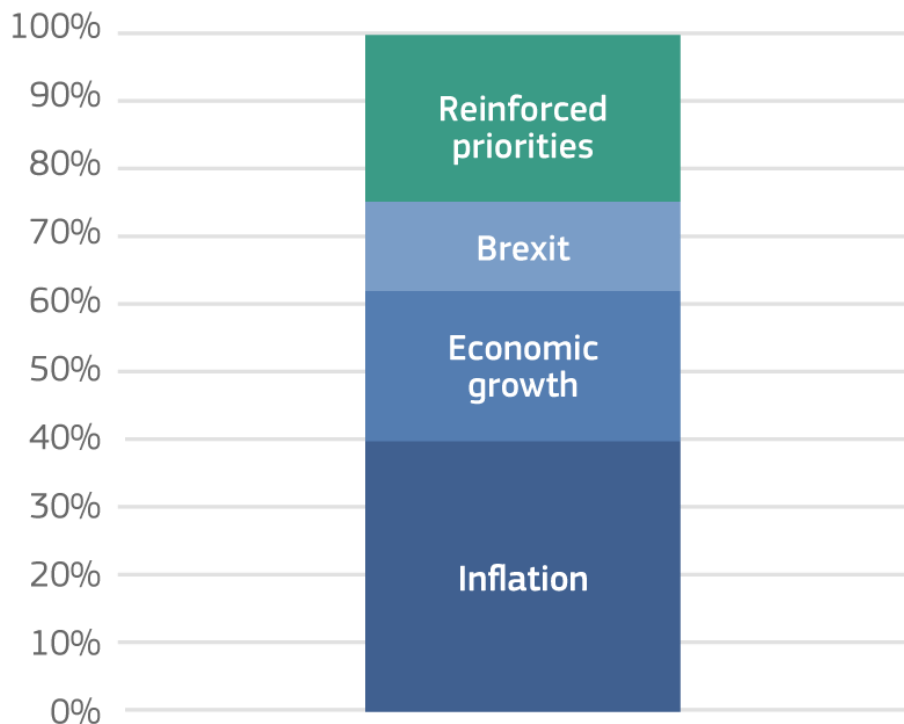
	billion EUR in 2018 prices				% of GNI			
	Average 2014-2020	2020	Average 2021-2027	2027	Average 2014-2020	2020	Average 2021-2027	2027
BE	3,84	4,01	4,36	4,52	0,86	0,86	0,91	0,92
BG	0,46	0,52	0,68	0,71	0,87	0,86	1,06	1,05
CZ	1,55	1,78	2,20	2,33	0,85	0,86	0,97	0,98
DK	2,36	2,51	2,93	3,12	0,78	0,80	0,88	0,90
DE	25,48	26,50	32,76	34,98	0,75	0,75	0,88	0,92
EE	0,20	0,23	0,32	0,33	0,86	0,87	1,06	1,05
IE	1,95	2,21	2,71	2,94	0,83	0,83	0,91	0,93
EL	1,57	1,62	1,76	1,76	0,84	0,86	0,93	0,92
ES	10,17	10,86	11,95	12,38	0,86	0,87	0,95	0,97
FR	20,49	21,29	22,45	23,06	0,85	0,87	0,91	0,91
HR	0,42	0,46	0,53	0,55	0,86	0,88	0,99	1,00
IT	14,91	15,12	15,27	15,25	0,85	0,86	0,87	0,87
CY	0,18	0,19	0,20	0,21	0,90	0,88	0,97	0,98
LV	0,24	0,27	0,31	0,33	0,86	0,85	0,90	0,89
LT	0,35	0,39	0,47	0,48	0,84	0,85	0,93	0,93
LU	0,34	0,38	0,51	0,55	0,86	0,86	1,08	1,11
HU	1,04	1,18	1,56	1,69	0,85	0,85	0,98	0,97
MT	0,09	0,11	0,15	0,17	0,88	0,88	0,99	1,01
NL	5,04	5,24	6,85	7,67	0,67	0,65	0,83	0,91
AT	3,00	3,27	3,84	4,08	0,79	0,83	0,91	0,92
PL	3,95	4,50	5,68	6,18	0,86	0,88	0,97	0,97
PT	1,69	1,79	2,01	2,05	0,88	0,88	0,98	0,98
RO	1,55	1,81	2,41	2,63	0,83	0,83	0,94	0,93
SI	0,37	0,42	0,52	0,56	0,86	0,87	0,93	0,93
SK	0,71	0,80	1,00	1,08	0,82	0,84	0,93	0,93
FI	1,94	2,06	2,22	2,28	0,84	0,86	0,91	0,91
SE	3,43	3,34	4,39	4,92	0,71	0,70	0,85	0,91
EU-27	107,33	112,87	130,04	136,82	0,81	0,82	0,90	0,92

- ETS-based new own resource included in national contributions
- Projections based on European Economic Forecast Spring 2019
- European Development Fund included in 2014-2020 figures for comparison purposes



THE REASONS BEHIND THE INCREASES

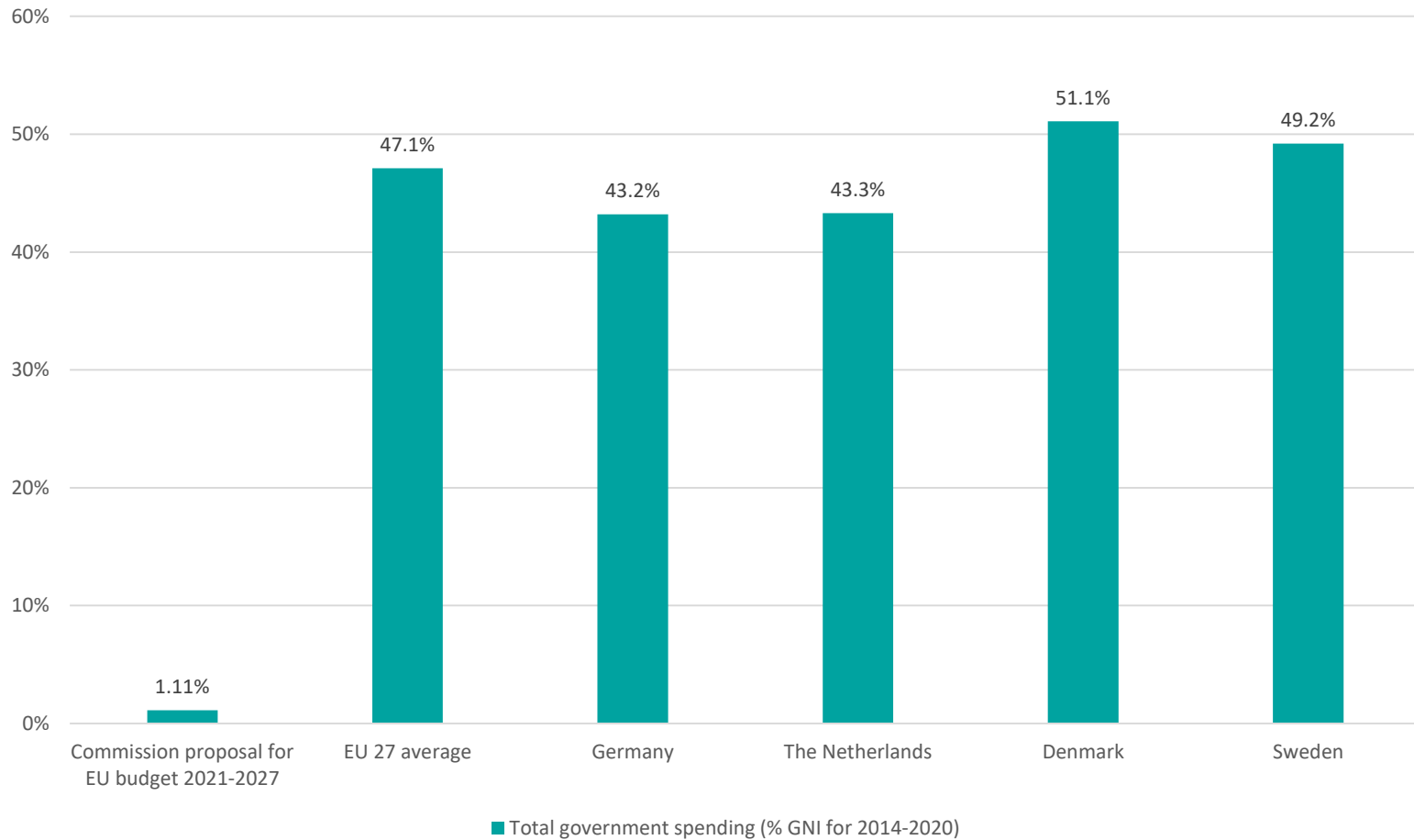
Drivers of the changes in national contributions 2027 vs 2020 (% of total change)



**Illustrative visualisation based on estimates based on the Commission proposal for the 2021-2027 Multiannual Financial Framework, the 2020 Draft Budget and the 2019 Spring economic forecast*



GOVERNMENT SPENDING: Comparison between EU budget and government spending



NATIONAL CONTRIBUTIONS PER CAPITA

2018 Prices

	Average 2014-2020	Average 2021-2027	Average annual increase over the 7 years
National contribution per EU citizen per YEAR (2018 prices)	€ 241	€ 289	3%
National contribution per EU citizen per DAY (2018 prices)	€ 0.66	€ 0.79	€ 0.02

TRADITIONAL OWN RESOURCES (CUSTOMS DUTIES) ARE COLLECTED BY MS ON BEHALF OF THE EU

- The EU Customs Code establishes a **common tariff** for trade with non-EU countries, with harmonised rules for collection.
- **Own Resources Decision: Customs duties belong to the EU Budget**
 - *approved unanimously in the Council and ratified by every Member State*
 - *stipulates that **customs duties constitute own resources entered in the budget of the Union** (2014 Own Resources Decision, Art. 2.1.a)*
- Member States collect the revenues from customs duties on behalf of the EU and retain 20% by way of collection costs

Projection of Traditional Own Resources collected by Member States on behalf of the Union

	billion EUR in 2018 prices				% of GNI			
	Average 2014-2020	2020	Average 2021-2027	2027	Average 2014-2020	2020	Average 2021-2027	2027
BE	2,04	2,18	2,53	2,59	0,45	0,47	0,53	0,53
BG	0,08	0,11	0,13	0,14	0,16	0,18	0,21	0,21
CZ	0,26	0,30	0,37	0,39	0,14	0,15	0,17	0,17
DK	0,34	0,36	0,43	0,45	0,11	0,11	0,13	0,13
DE	4,05	4,09	4,85	4,98	0,12	0,12	0,13	0,13
EE	0,03	0,04	0,04	0,05	0,13	0,13	0,15	0,15
IE	0,29	0,32	0,40	0,43	0,12	0,12	0,14	0,14
EL	0,17	0,19	0,21	0,21	0,09	0,10	0,11	0,11
ES	1,49	1,60	1,81	1,84	0,13	0,13	0,14	0,14
FR	1,67	1,75	2,00	2,05	0,07	0,07	0,08	0,08
HR	0,04	0,04	0,05	0,05	0,09	0,08	0,08	0,08
IT	1,83	1,92	2,15	2,17	0,10	0,11	0,12	0,12
CY	0,02	0,03	0,03	0,03	0,11	0,12	0,14	0,14
LV	0,04	0,05	0,06	0,06	0,13	0,14	0,16	0,16
LT	0,09	0,10	0,13	0,13	0,21	0,23	0,25	0,25
LU	0,02	0,02	0,02	0,02	0,05	0,04	0,04	0,04
HU	0,17	0,22	0,28	0,30	0,13	0,16	0,17	0,17
MT	0,01	0,01	0,02	0,02	0,12	0,11	0,13	0,13
NL	2,45	2,65	3,07	3,15	0,32	0,33	0,37	0,37
AT	0,21	0,21	0,26	0,27	0,06	0,05	0,06	0,06
PL	0,66	0,81	1,04	1,14	0,14	0,16	0,18	0,18
PT	0,16	0,19	0,22	0,22	0,08	0,09	0,11	0,11
RO	0,16	0,20	0,26	0,29	0,09	0,09	0,10	0,10
SI	0,07	0,09	0,11	0,12	0,16	0,18	0,20	0,20
SK	0,10	0,10	0,13	0,14	0,11	0,11	0,12	0,12
FI	0,14	0,16	0,18	0,19	0,06	0,07	0,07	0,07
SE	0,52	0,52	0,62	0,66	0,11	0,11	0,12	0,12
EU-27	17,12	18,25	21,39	22,08	0,13	0,13	0,15	0,15

OPERATING BUDGETARY BALANCES

Methodology and Calculation

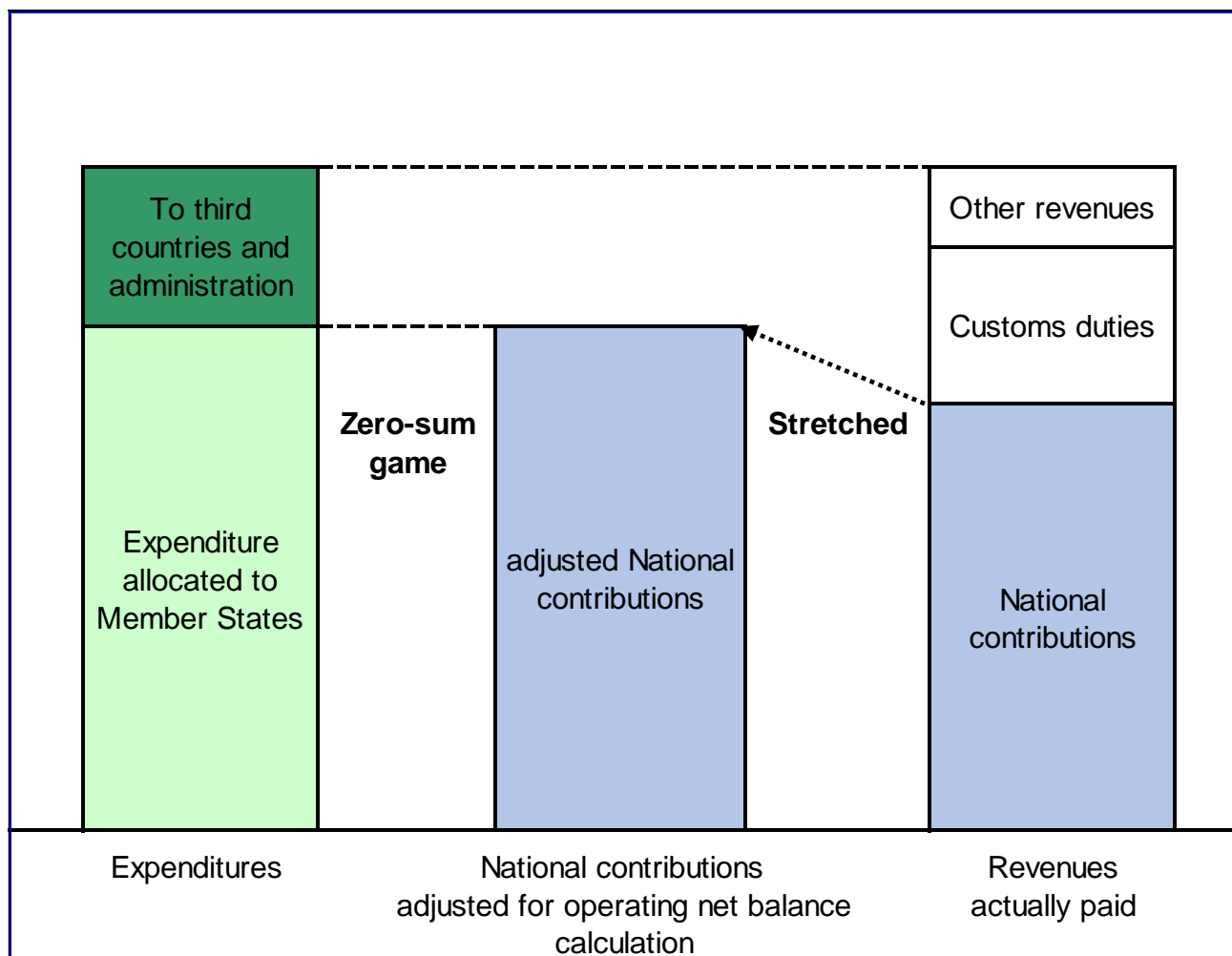
- Berlin European Council Conclusions, 1999
- How are they calculated? EXAMPLES:

2017 actual data (EUR bn)	EU28	BE	IE	PL
(A) EU Expenditure <u>less</u> Administration & Third countries	103,63	2,53	1,77	11,89
(B) Actual national contributions	94,97	2,98	1,78	3,05
(C) = B*(A for EU28/B for EU28) Stretched national contributions	103,63	3,25	1,94	3,33
Net balance = A - B*C	0,00	-0,72	-0,17	8,57

- Operating budgetary balances show the relationship between a Member State's share of total allocated EU operating expenditure and its share of 'national contributions'

OPERATING BUDGETARY BALANCES

Methodology and Calculation – the Adjustments



OPERATING BUDGETARY BALANCES

2014-2018 Actual average

Operating Budgetary Balances 2014-2018 (actual average)		
MS	In EUR bn (2018 prices)	In % GNI
BE	-1,15	-0,26%
BG	1,92	3,97%
CZ	3,51	2,08%
DK	-0,86	-0,29%
DE	-13,50	-0,41%
EE	0,46	2,06%
IE	0,02	0,01%
EL	4,49	2,41%
ES	2,05	0,18%
FR	-6,87	-0,29%
HR	0,38	0,79%
IT	-3,97	-0,22%
CY	0,05	0,26%
LV	0,74	2,75%
LT	1,29	3,20%
LU	0,00	0,00%
HU	4,64	4,02%
MT	0,10	1,09%
NL	-2,58	-0,35%
AT	-1,12	-0,31%
PL	10,65	2,40%
PT	2,41	1,25%
RO	4,64	2,68%
SI	0,47	1,13%
SK	1,82	2,20%
FI	-0,55	-0,24%
SE	-1,74	-0,36%

WHY THE CONCEPT OF NET POSITIONS IS FLAWED AS A GUIDE TO DETERMINING NATIONAL BUDGET CONTRIBUTIONS

1) Inherent technical limitations: excludes or cannot, going forward, properly reflect some 40% of the proposed MFF Budget

- EU administrative costs and payments allocated to third countries are excluded, with EDF budgetisation making this particularly difficult
- Allocation of expenditure for “new priorities” to Member States is based on historical proxies assuming “no change” in MS shares over a decade; for new programmes such as Digital Europe or the European Defence Fund, this is completely arbitrary
- Leverage effects of financial instruments are excluded (e.g. EUR 14.2 bn InvestEU provisioning leveraging up to EUR 650 bn)
- Member States contributions are typically adjusted upwards to ensure that the sum of net positions across all Member States equals zero

2) Net balances fail to represent indirect benefits of EU programmes

- Member States benefit from EU cohesion spending in other Member States (for example German companies benefit from Cohesion expenditure in Poland)
- Other Indirect benefits are not included, such as the hosting agencies like the European Medicine Agency

3) The bulk of the economic benefits of EU membership are completely ignored

- The benefits of the internal market are ignored: even the most conservative estimates put the economic benefits at 5 times the annual contributions to the Budget; these benefits are particularly large for Member States that rely strongly on international trade

PROJECTION OF NATIONAL CONTRIBUTIONS VS CAP AND COHESION ALLOCATIONS

MS	CAP (% GNI)		Cohesion (% GNI)		National contributions (% GNI)	
	2014-2020	2021-2027	2014-2020	2021-2027	2014-2020	2021-2027
BE	0,14%	0,10%	0,08%	0,07%	0,86%	0,91%
BG	2,14%	1,52%	2,27%	1,97%	0,87%	1,06%
CZ	0,66%	0,43%	1,83%	1,12%	0,85%	0,97%
DK	0,34%	0,25%	0,03%	0,02%	0,78%	0,88%
DE	0,19%	0,14%	0,08%	0,06%	0,75%	0,88%
EE	1,03%	0,79%	2,32%	1,39%	0,86%	1,06%
IE	0,67%	0,43%	0,08%	0,05%	0,83%	0,91%
EL	1,57%	1,22%	1,36%	1,44%	0,84%	0,93%
ES	0,57%	0,44%	0,39%	0,38%	0,86%	0,95%
FR	0,41%	0,32%	0,10%	0,09%	0,85%	0,91%
HR	1,07%	1,07%	2,72%	2,32%	0,86%	0,99%
IT	0,33%	0,26%	0,29%	0,31%	0,85%	0,87%
CY	0,39%	0,28%	0,62%	0,59%	0,90%	0,97%
LV	1,31%	1,12%	2,48%	1,76%	0,86%	0,90%
LT	1,66%	1,30%	2,55%	1,60%	0,84%	0,93%
LU	0,13%	0,08%	0,02%	0,02%	0,86%	1,08%
HU	1,50%	0,93%	2,75%	1,60%	0,85%	0,98%
MT	0,19%	0,10%	1,06%	0,57%	0,88%	0,99%
NL	0,12%	0,08%	0,03%	0,02%	0,67%	0,83%
AT	0,35%	0,24%	0,05%	0,04%	0,79%	0,91%
PL	1,01%	0,66%	2,59%	1,57%	0,86%	0,97%
PT	0,70%	0,54%	1,67%	1,46%	0,88%	0,98%
RO	1,56%	1,01%	1,92%	1,51%	0,83%	0,94%
SI	0,61%	0,38%	1,10%	0,78%	0,86%	0,93%
SK	0,78%	0,52%	2,47%	1,56%	0,82%	0,93%
FI	0,38%	0,29%	0,09%	0,09%	0,84%	0,91%
SE	0,20%	0,15%	0,06%	0,06%	0,71%	0,85%
EU	0,37%	0,32%	0,35%	0,33%	0,81%	0,90%

*GNI based on European Economic forecast Spring 2019

2014-2020 national contributions include the financing for the European Development Fund for comparison purposes
2021-2027 data correspond to the parameters of the Commission proposals of 2 May 2018

BENEFITS OF THE SINGLE MARKET INTEGRATION

	MFF 2021-27 National Contributions		Estimated Benefits of the Single Market	
	Annual average			
	€ bn, 2018 prices	% GNI	€ bn, 2018 prices	% GNI
BE	4,36	0,91	56,49	10,89
BG	0,68	1,06	5,01	7,42
CZ	2,20	0,97	27,62	11,50
DK	2,93	0,88	22,04	6,21
DE	32,76	0,88	208,02	5,22
EE	0,32	1,06	2,74	8,85
IE	2,71	0,91	30,74	9,78
EL	1,76	0,93	7,46	3,68
ES	11,95	0,95	64,50	4,76
FR	22,45	0,91	124,42	4,69
HR	0,53	0,99	3,51	6,26
IT	15,27	0,87	81,63	4,33
CY	0,20	0,97	1,34	5,94
LV	0,31	0,90	2,82	7,72
LT	0,47	0,93	3,58	6,88
LU	0,51	1,08	7,55	15,60
HU	1,56	0,98	17,87	10,79
MT	0,15	0,99	1,67	10,83
NL	6,85	0,83	84,02	9,46
AT	3,84	0,91	35,61	7,86
PL	5,68	0,97	43,83	7,10
PT	2,01	0,98	13,12	5,99
RO	2,41	0,94	16,59	6,03
SI	0,52	0,93	5,54	9,46
SK	1,00	0,93	13,22	11,35
FI	2,22	0,91	13,22	5,03
SE	4,39	0,85	29,39	5,31
EU27	130,04	0,90	923,56	5,92

Sources used for the estimations:

DG ECFIN: Jan in 't Veld (2019), *Quantifying the Economic Effects of the Single Market in a Structural Macromodel*, DG ECFIN European Economy Discussion Paper N.94

IFO: Gabriel Felbermayr, Jasmin Gröschl, Inga Heiland (2018), *Undoing Europe in a New Quantitative Trade Model*, IFO Working Paper N. 250

Bertelsmann Stiftung (2019): *Estimating economic benefits of the Single Market for European countries and regions*, by Giordano Mion and Dominic Ponattu, Policy Paper, May 2019

Further references and economic research papers on the benefits of the single market

1) Septimiu Szabo (2019), FDI In the Czech republic : A Visegrad Comparison, European Commission, Economic Policy Brief 042, February 2019

https://ec.europa.eu/info/publications/foreign-direct-investment-czech-republic-visegrad-comparison_en

2) Jan in 't Veld (2019), Quantifying the Economic Effects of the Single Market in a Structural Macromodel, European Commission, European Economy Discussion Paper N.94

https://ec.europa.eu/info/publications/quantifying-economic-effects-single-market-structural-macromodel_en

3) Gabriel Felbermayr, Jasmin Gröschl, Inga Heiland (2018), Undoing Europe in a New Quantitative Trade Model, IFO Working Paper N. 250

<https://www.ifo.de/DocDL/wp-2018-250-felbermayr-et-al-tarde-model.pdf>

4) Giordano Mion and Dominic Ponattu (2019): Estimating economic benefits of the Single Market for European countries and regions, Bertelsmann Stiftung Policy Paper, May 2019

<https://www.bertelsmann-stiftung.de/en/publications/publication/did/estimating-economic-benefits-of-the-single-market-for-european-countries-and-regions/>

