



The budget of the European Union : What for?

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Introduction

- The Union budget is not only an accounting exercise. It sets out the priorities for funding over seven years.
- It is also a source of stability vs flexibility to address urgent challenges (e.g. NextGeneration EU & issuance of public debt)
- Potential steady increase in sources of revenue (new own resources)
- Change in funding priorities: decrease in agricultural spending and increase in new political priorities
- Protection against fraud and financial irregularities (e.g. rule-of-law conditionality, European Public Prosecutor's Office)
- Increased focus on performance, including green and gender budgeting

What do we mean by
budget?

Budget... but which budget?

- Conceptual clarity:
 - budget: general budget of the Union, including special instruments (thematic and non-thematic)
 - off-budget instruments: NextGenerationEU, European Peace Facility, Innovation Fund etc.
 - budget galaxy / universe: includes budget and off-budget as well as financial instruments (equity, debt, or mixed)
- Annual budget versus long-term budget (multiannual financial framework)

Budget structure

- Political split into headings, sub-headings, titles, chapters, articles and items
- For example, line 01 02 02 20 Cluster 'Culture, Creativity and Inclusive Society' is in:
 - Heading 1: Single Market Innovation and Digital
 - Title / cluster 01: Research and Innovation
 - Chapter 02: Horizon Europe
 - Article 02: Global challenges and European industrial competitiveness (Pillar II)
 - Item 20: Cluster 'Culture, Creativity and Inclusive Society'

Budget terminology

- Commitment appropriations (what we plan to pay): reservation of appropriations to cover subsequent expenses. Enables signing legal contracts.
- Payment appropriations (what we actually pay): appropriations covering expenditure due in the current year arising for commitments.
- Many other categories of jargon, such as:
 - Assigned revenue (internal and external) (exception to principle of universality)
 - Carry-over (exception to principle of annuality)
 - Payments on outstanding commitments (RAL)

What is the order of magnitude?

All figures are for presentation purposes only.

Long-term budget 2021-27 (overall amounts)

Single Market, Innovation and Digital

149.5 (+ 11.5 from NGEU)

Cohesion, Resilience and Values

426.7 (+ 776.5 from NGEU)

Natural Resources and Environment

401 (+ 18.9 from NGEU)

Migration and Border Management

25.7

Security and Defence

14.9

Neighbourhood and the World

110.6

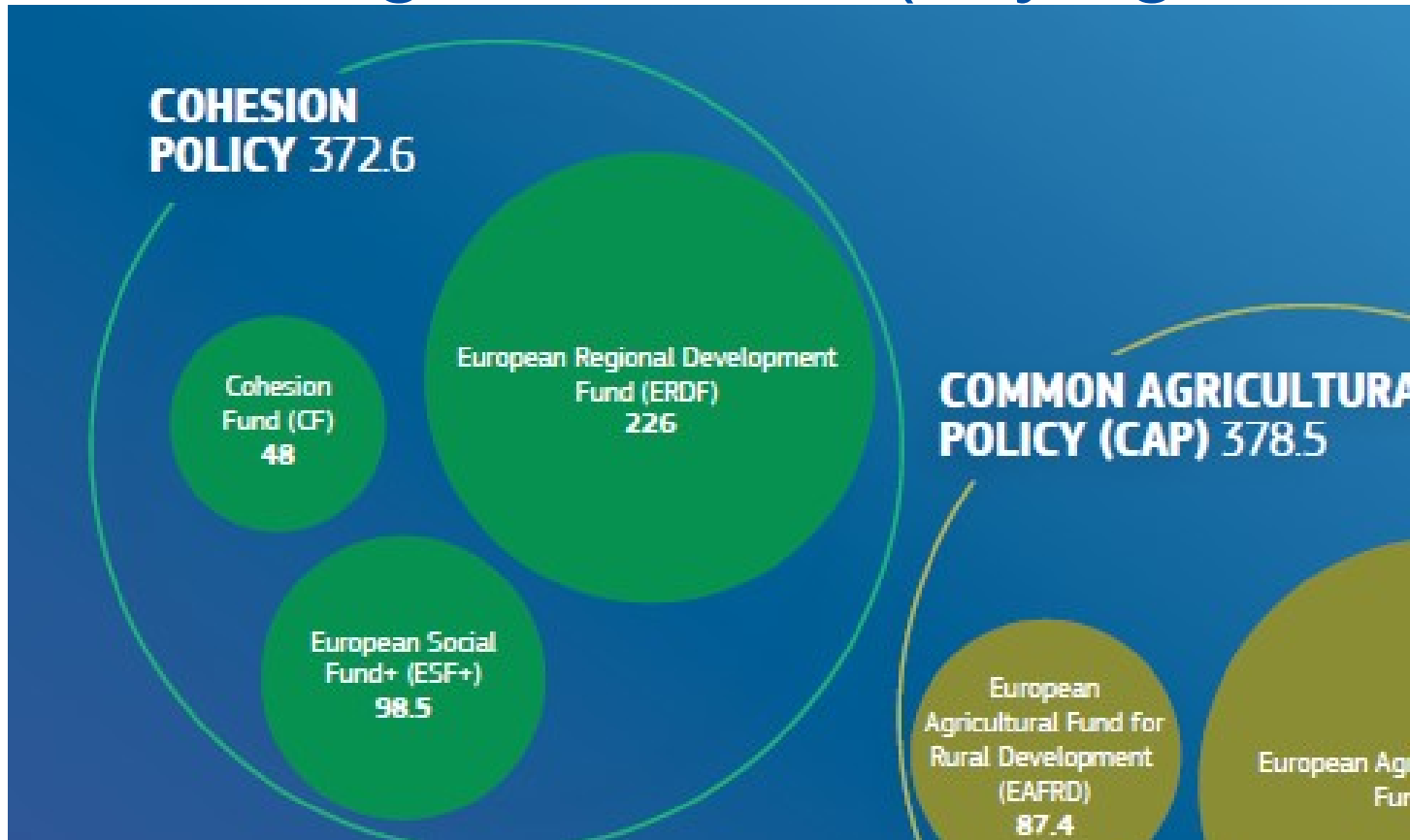
European Public Administration

82.5

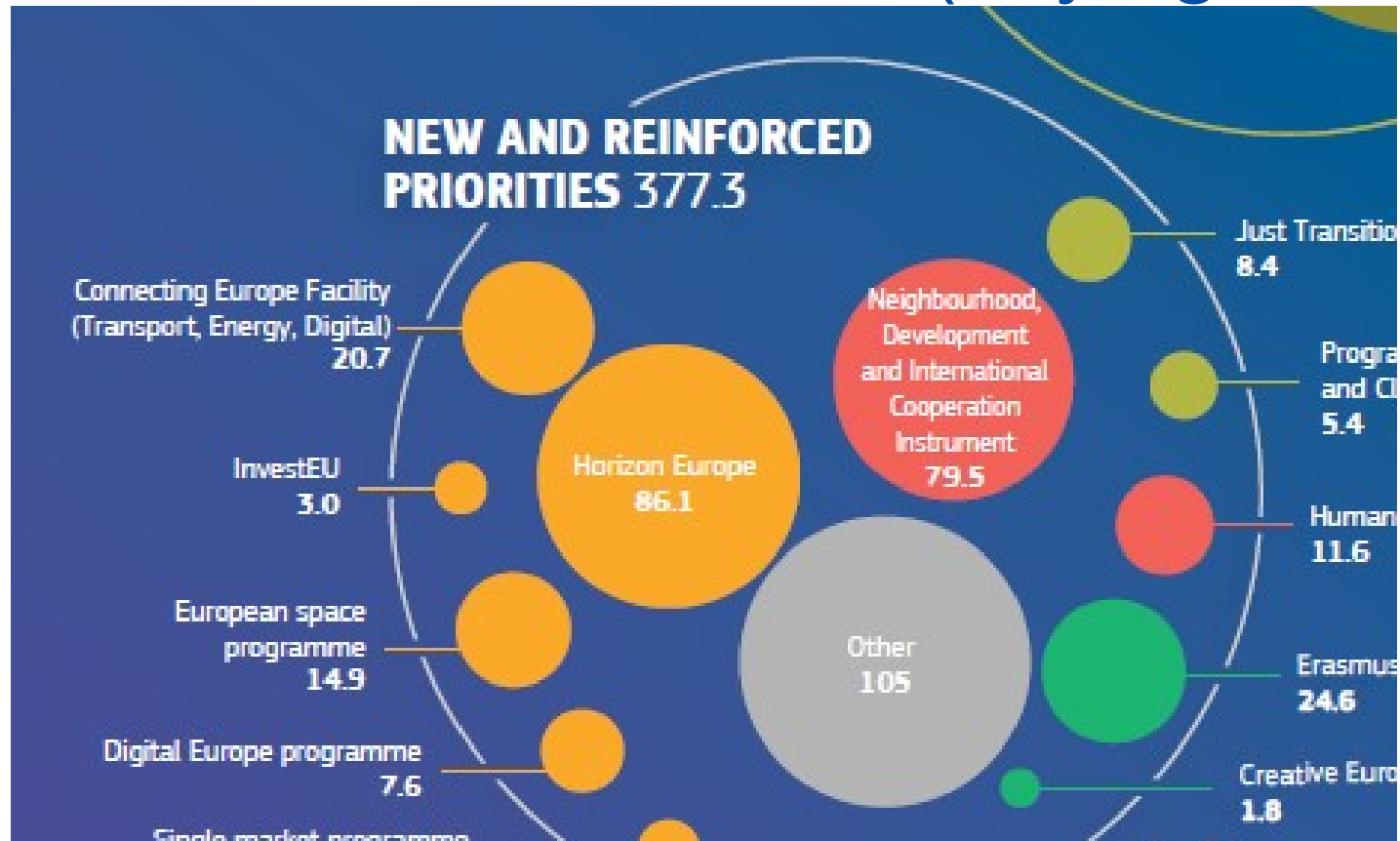
Total: €2.018 trillion



Long-term budget 2021-27 (key figures 1/2)

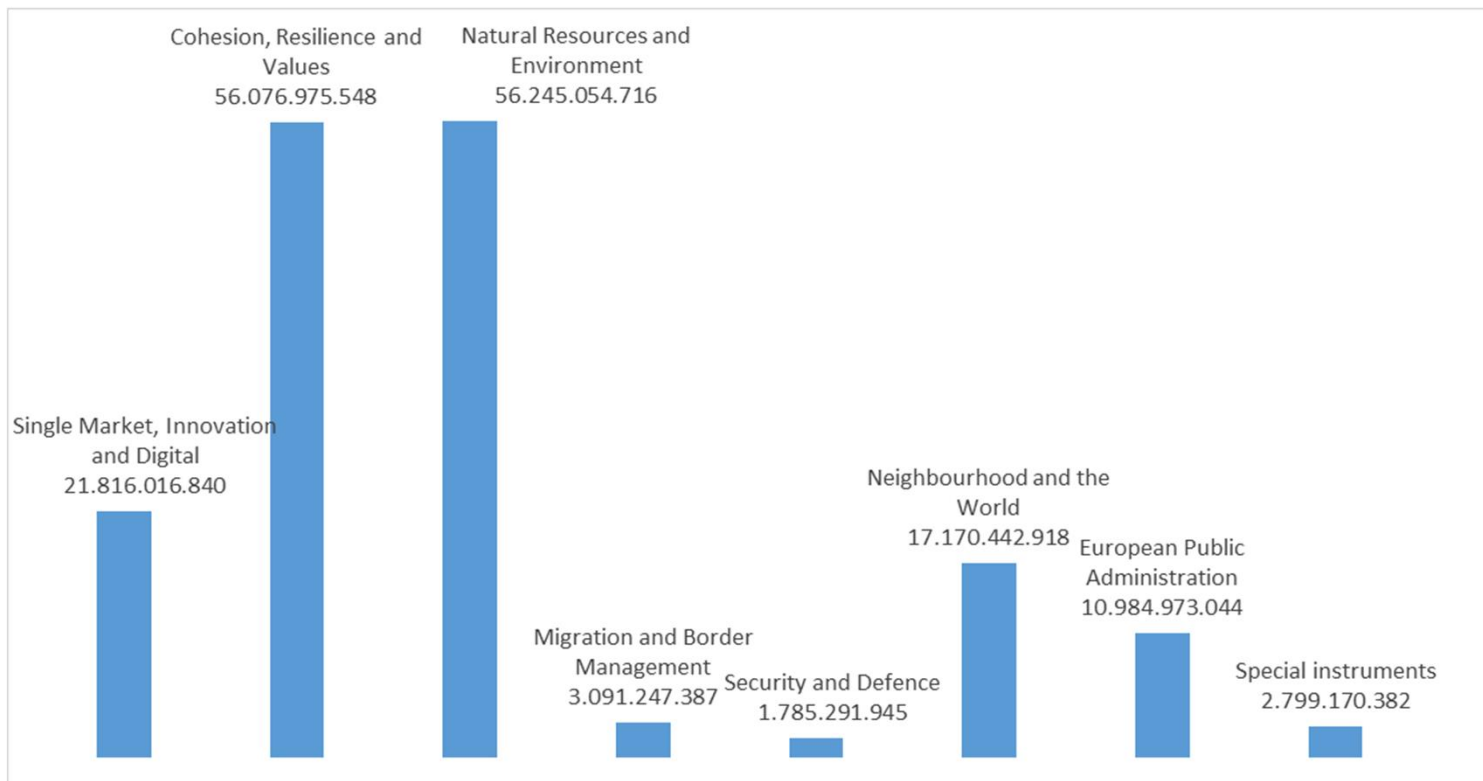


NextGenerationEU 2021-23 (key figures 2/2)



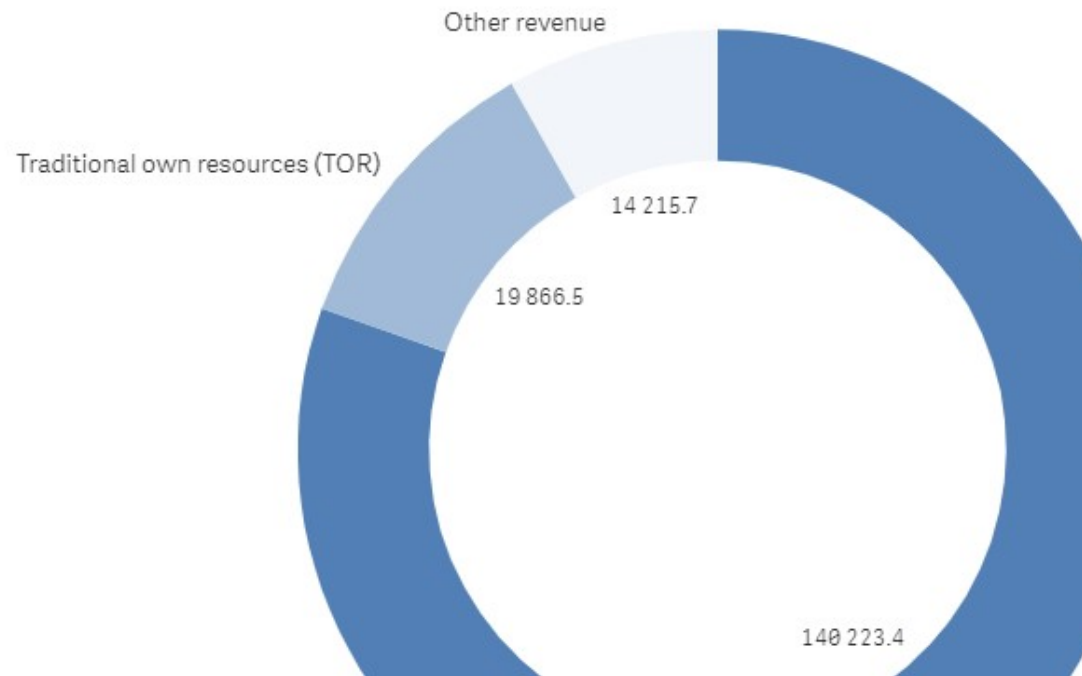
Annual budget (in 2022)

Overall amount: EUR 170 billion commitments or 1.12% of GNI, margin of EUR 1.2 billion



Revenue (in 2020)

EU - 28 Amount Revenue (EUR million) - by heading



Is this a lot?

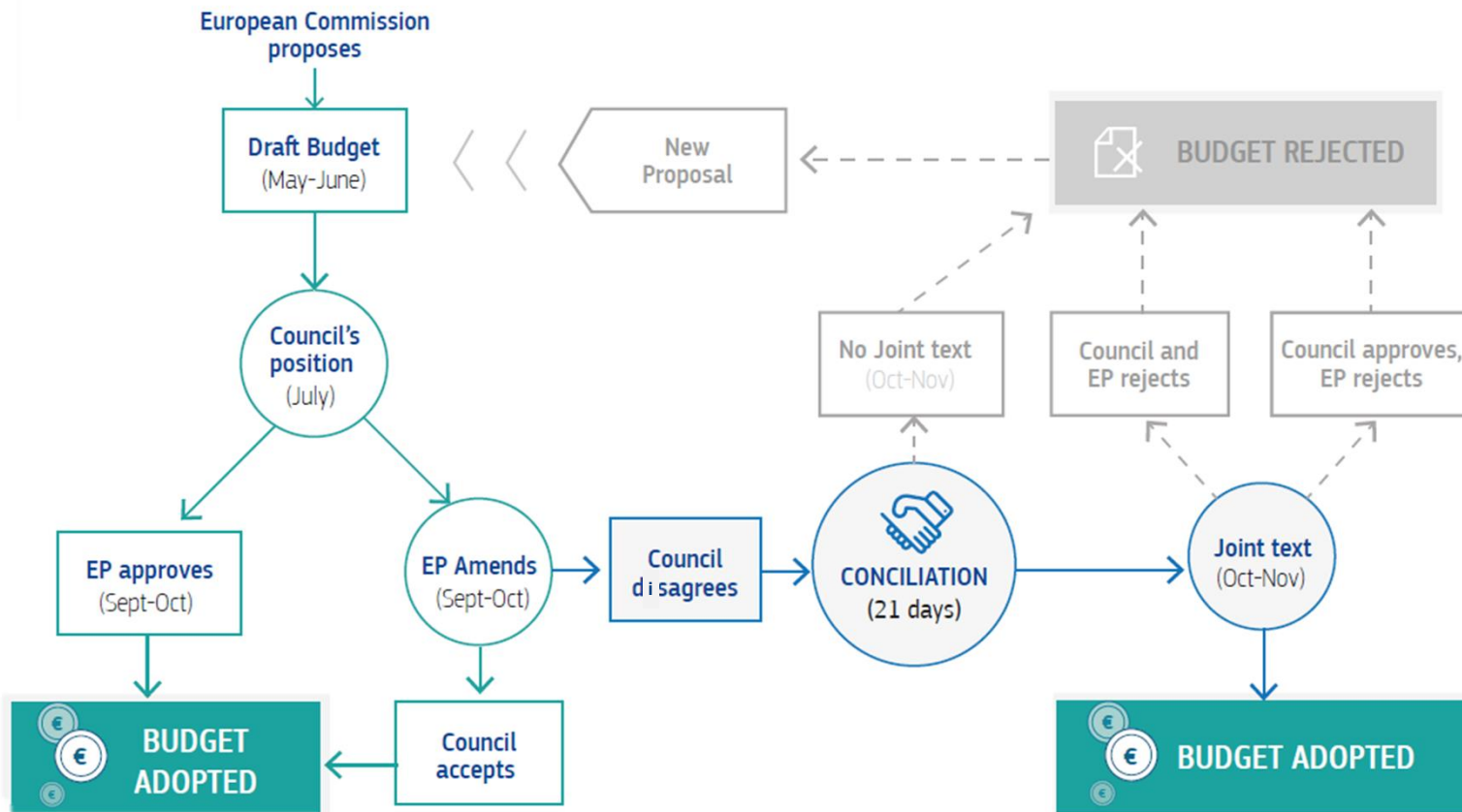
- It depends:
 - It is more than some Member States spend, but less than others
 - It covers a different range of activities (e.g. not the same level of social spending for healthcare, police, education etc.) than Member State competences
 - It is about one cup of coffee per person per day

How is it decided and what is the dynamic?

Annual budget vs long-term budget

- Annual budget (enshrined in Treaty):
 - ordinary legislative procedure, the Parliament and Council on equal footing
 - highly regulated process, within the limits of the long-term budget
- Long-term budget (enshrined in Treaty):
 - special legislative procedure, unanimity in Council with Parliament consent
 - high-level negotiations, less predictable than annual budget
- NextGenerationEU: special status, the European Parliament is critical of its governance

Annual budget



Annual budget conciliation

- 21 days to reach agreement => if no agreement, second draft budget (once every two-three years) or provisional twelfths (not seen since the 1980s)



Around midnight... three hours before we thought it would fail

Implementation

- Several forms of implementation (= spending):
 - Direct management
 - Shared management
 - Indirect management
- Adding money or moving it around (amending budgets, transfers)

Discharge

- Discharge = final approval of budget
- European Parliament scrutiny (= democratic oversight) of how the Commission implements the budget
- Parliament (CONT) relies on Court of Auditors reports, hearings, integrated financial accounts



What about European public administration?

European Public Administration (H7)

- Heading 7 : EUR 82,5 bn over 2021-07, or 4% of total expenditure in terms of commitment appropriations. Around 2/3 for the EC, the remainder divided between the other institutions
- Financing of personnel, buildings, equipment, mission costs, pensions, European schools,, etc. and some specific tasks
- Art.241 TFUE – method of automatic salary indexation = additional financing needs in H7 year on year

European Public Administration (H7)

- Council warned that automatic indexation would put a strain on EU public finance in a high inflation environment and given the increasing financing needs for the warfare in Ukraine (*Statement 13 July 2022 on Draft general budget for 2023*)
- Method of indexation : salary related spending will increase uniformly in 2022 (2,5% in June, 4,5% in December), albeit less than expected inflation- in cumulated terms, significant loss of revenue
- 2023 Budget – H7 within ceiling but reduced margins = budget savings
- We need a *supplementary budget* to bridge the financing gap !

Thank you