EU BUDGET
FOR THE
FUTURE

#EUBudget
#EURoad2Sibiu
#FutureofEurope
“The new budget is an opportunity to shape our future as a new, ambitious Union of 27 bound together by solidarity. With today's proposal we have put forward a pragmatic plan for how to do more with less.”

Jean-Claude Juncker, President of the European Commission, 2 May 2018
EU BUDGET BASICS

7-year long-term budget 2014-2020

Annual budgets

And then?

New priorities
Modernize programmes
Brexit financing gap

Proposals for a new, modern budget for the EU-27 2021-2027

We engaged in an open and inclusive debate. We have listened to many stakeholders:
- Open public consultations with more than 11,000 responses
- Beneficiaries of EU funding
- European Parliament
- Member States and National Parliaments: Commissioner Oettinger travelled to almost all Member States to discuss the proposal
A NEW, MODERN BUDGET FOR THE EU-27
Following an open and inclusive debate
KEY FEATURES

Multiannual Financial Framework 2021-2027
‘A modern budget for a Union that protects, empowers and defends’

More funding for priority areas

A new mechanism to protect the EU budget from financial risks linked to the rule of law

A strong focus on European added value and on performance

Less red tape for beneficiaries

A more flexible and agile budget with a clearer and leaner architecture
ALIGNED TO POLITICAL PRIORITIES
ALIGNED TO POLITICAL PRIORITIES (1)
Simplification, transparency and flexibility

Fewer programmes grouped in policy clusters.

Policy Clusters:
1. Research & Innovation
2. European Strategic Investments
3. Single Market
4. Space
5. Regional Development & Cohesion
6. Economic & Monetary Union
7. Investing in People, Social Cohesion & Values
8. Agriculture & Maritime Policy
9. Environment & Climate Action
10. Migration
11. Border Management
12. Security
13. Defence
14. Crisis Response
15. External Action*
16. Pre-accession Assistance
17. Administration

Source: European Commission
ALIGNED TO POLITICAL PRIORITIES (2)
Simplification, transparency and flexibility

In billion euro, current prices

I. SINGLE MARKET, INNOVATION AND DIGITAL
   - €187.4
   1 Research and Innovation
   2 European Strategic Investments
   3 Single Market
   4 Space

II. COHESION AND VALUES
    - €442.4
    5 Regional Development and Cohesion
    6 Economic and Monetary Union
    7 Investing in People, Social Cohesion and Values

III. NATURAL RESOURCES AND ENVIRONMENT
     - €378.9
     8 Agriculture and Maritime Policy
     9 Environment and Climate Action

IV. MIGRATION AND BORDER MANAGEMENT
    - €34.9
    10 Migration
    11 Border Management

V. SECURITY AND DEFENCE
   - €27.5
   12 Security
   13 Defence
   14 Crisis Response

VI. NEighbourHOOD AND THE WORLD
    - €123
    15 External Action
    16 Pre-Accession Assistance

VII. EUROPEAN PUBLIC ADMINISTRATION
     - €85.3
     17 European Public Administration

Source: European Commission
ALIGNED TO POLITICAL PRIORITIES (3)

I SINGLE MARKET, INNOVATION & DIGITAL

1 Research & Innovation
• Horizon Europe
• International Thermonuclear Experimental Reactor (ITER)
• Euratom Research & Training Programme

2 European Strategic Investments
• InvestEU Fund
• Connecting Europe Facility
• Digital Europe Programme (incl. Cybersecurity)

3 Single Market
• Single Market Programme (incl. Competitiveness and Small and Medium-Sized Enterprises - COSME, Food Safety, Statistics, Competition and Administrative Cooperation)
• EU Anti-Fraud Programme
• Cooperation in the Field of Taxation (FISCALIS)
• Cooperation in the Field of Customs (CUSTOMS)

4 Space
• European Space Programme

II COHESION & VALUES

5 Regional Development & Cohesion
• European Regional Development Fund
• Cohesion Fund
• Support to the Turkish-Cypriot Community

6 Economic & Monetary Union
• Reform Support Programme including the Reform Delivery Tool and Convergence Facility
• Protection of the Euro Against Counterfeiting

7 Investing in People, Social Cohesion & Values
• European Social Fund + (incl. Integration of Migrants & Health)
• ERASMUS+
• European Solidarity Corps
• Justice, Rights & Values
• Creative Europe (incl. MEDIA)
ALIGNED TO POLITICAL PRIORITIES (4)

III NATURAL RESOURCES & ENVIRONMENT

8 Agriculture & Maritime Policy
- European Agricultural Guarantee Fund
- European Agricultural Fund for Rural Development
- European Maritime & Fisheries Fund

9 Environment & Climate Action
- Programme for Environment & Climate Action (LIFE)

IV MIGRATION & BORDER MANAGEMENT

10 Migration
- Asylum & Migration Fund

11 Border Management
- Integrated Border Management Fund

V SECURITY & DEFENCE

12 Security
- Internal Security Fund
- Nuclear Decommissioning (Lithuania)
- Nuclear Safety and Decommissioning (incl. for Bulgaria and Slovakia)

13 Defence
- European Defence Fund
- Connecting Europe Facility - Military Mobility

14 Crisis Response
- Union Civil Protection Mechanism (rescEU)

VI NEIGHBOURHOOD & THE WORLD

15 External Action*
- Neighbourhood, Development and International Cooperation Instrument (incl. external aspects of migration)
- Humanitarian Aid
- Common Foreign & Security Policy
- Overseas Countries and Territories (including Greenland)

16 Pre-Accession Assistance
- Pre-Accession Assistance

*The European Peace Facility is an off-budget fund outside the Financial Framework

European Border and Coast Guard (Frontex)
REALISTIC
REALISTIC: MATCHING PRIORITIES WITH RESOURCES

Broadly stable level in % of GNI

The size of the EU budget as percentage of Gross National Income (GNI)

<table>
<thead>
<tr>
<th>Year</th>
<th>Commitments ceiling</th>
<th>European Development Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average 1993-1999</td>
<td>1.25%</td>
<td></td>
</tr>
<tr>
<td>Average 2000-2006</td>
<td>1.09%</td>
<td></td>
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<tr>
<td>Average 2007-2013</td>
<td>1.12%</td>
<td></td>
</tr>
<tr>
<td>Average 2014-2020 EU-28</td>
<td>1.00%</td>
<td></td>
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<tr>
<td>Average 2014-2020 EU-27*</td>
<td>1.13%</td>
<td></td>
</tr>
<tr>
<td>2021-2027**</td>
<td>1.11%</td>
<td>0.03%</td>
</tr>
</tbody>
</table>

*2014-2020 estimated commitments (UK expenditure excluded) in % EU27 GNI
** European Development Fund integrated (“budgetised”)

Source: European Commission
FAIR & BALANCED
MATCHING PRIORITIES WITH RESOURCES
Rebalancing and fairness

Evolution of main policy areas in the EU budget

- **Common Agricultural Policy and Fisheries**
- **Economic, Social and Territorial Cohesion**
- **Other Programmes**
- **European Public Administration**

*Adjusted for 1995 enlargement

*Source: European Commission*
FOCUSED ON ADDED VALUE
FOCUSED ON EUROPEAN ADDED VALUE

Reinforcement of priority areas

Note: Compared to Multiannual Financial Framework 2014-2020 at EU-27, including European Development Fund

Source: European Commission
Building on the success of the EU’s past flagship research and innovation programmes, the Commission proposes to increase investment in research-innovation and digital by allocating €114.2 billion for the future MFF.
The Commission proposes to create a new Digital Europe programme with an overall budget of €9.2 billion to shape and support the digital transformation of Europe’s society and economy.

Examples:

- Artificial intelligence
- Super-computing
- Investing in Europeans' digital skill
- Developing very high capacity digital networks
- Joining forces against cyberattacks

The digital strand of the Connecting Europe Facility has a budget of €3 billion which will finance digital connectivity infrastructure.

Source: European Commission
INVESTMENT (1)
Current situation: EFSI

European Fund for Strategic Investment investment relative to Gross Domestic Product(*)

Showcasing the success of the ‘Juncker Plan’ in using the EU budget to mobilise private investment

EFSI investment by sector(*):

- Smaller companies: 28%
- Research Development and Innovation: 22%
- Energy: 22%
- Digital: 12%
- Transport: 8%
- Social Infrastructure: 4%
- Environment and resources efficiency: 4%

€283.7 billion
Total investment related to EFSI approvals

€56.2 billion
Approved European Fund for Structural Investment financing**

** European Investment Bank-approved €42.3 billion
European Investment Fund-approved €13.9 billion

Target by 2020 €500 billion
INVESTMENT (2)
Streamlining tools to promote investment: InvestEU Fund

- **€15.2 billion** From the EU budget mobilises **>€650 billion** Additional investment across Europe

- A new, **fully integrated investment fund**: InvestEU

- **Mobilise** significant **private resources** with a relatively limited amount of public resources for much needed investments throughout Europe

- **Single, streamlined structure** including all centrally managed financial instruments inside the EU

- Reducing overlaps, **simplify access to funding** and **reduce administrative burden**

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[European Commission logo]
Inside the EU
New architecture for the long term EU budget 2021-2027

Financial instruments under current multiannual financial framework

- Loan Guarantee for TEN-T Transport (LGTT)
- Project Bonds Initiative
- Marguerite Fund
- European Energy Efficiency Fund (EEEF)
- Risk-Sharing Finance Facility (RSFF)
- Pilot Guarantee Facility for R&I-driven SMEs and Small Midcaps (RSI)
- High Growth and Innovative SME Facility under the Competitiveness and Innovation Programme (GIF)
- SME Guarantee Facility under the Competitiveness and Innovation Programme (SMEG07)
- European Progress Microfinance Fund (EPM FCP-FIS)
- European Progress Microfinance Guarantee Facility (EPMG-G)

InvestEU Fund

- Sustainable Infrastructure
- Research & Innovation
- Small and Medium-sized Enterprises
- Social Investment & Skills

*voluntary

Implementing Partners

- National promotional banks and institutions
- European Investment Bank Group
- Multilateral Development Banks

Investments in all EU member states

- Micro-enterprises
- Startups
- SMEs
- Technology transfer
- Energy efficiency
- Social economy
- Digital infrastructures
- Renewables
In the future long-term EU budget **two new instruments** are proposed:

- Reform Support Programme
- European Investment Stabilisation Function

These new instruments will help:

- support economic and social convergence
- maintain macroeconomic stability in the euro area

*Source: European Commission*
REGIONAL DEVELOPMENT AND COHESION

- A strengthened link with the European Semester
- A simplified framework and less red tape for the beneficiaries of the funds
- A more tailored approach to regional development
- Relative per capita income as the predominant criterion for allocating funds

EUROPEAN REGIONAL DEVELOPMENT AND COHESION FUND

- Budget of €273 billion
- Investing in research and innovation
- Support small businesses
- Help with the transition towards a low-carbon economy
- Support digital, energy and transport networks
- Fund better health, education and social infrastructure and sustainable urban development

EUROPEAN SOCIAL FUND+

- Budget of €101 billion
- Investing in people
- Ensuring fairer opportunities for all
- Funding skills, youth employment and social inclusion

Source: European Commission
The proposals upgrade the European Social Fund into a European Social Fund+ with an overall budget of €100 billion, simplifying and increasing its effectiveness.

More than doubling the size of a substantially strengthened, inclusive and extended Erasmus+ programme, further promoting learning mobility across the EU.

A reinforced European Solidarity Corps will integrate the existing EU Aid Volunteers programme. This will offer European citizens a unique opportunity to engage in solidarity activities within and outside Europe.

Source: European Commission
The modernised Common Agricultural Policy based on a new delivery model will:

- Place a greater emphasis on the environment and climate;
- Support the transition towards a more sustainable agricultural sector;
- Support the development of vibrant rural areas.

The modernised policy will have a budget of €365 billion and continue to be built around two pillars:

- direct payments to farmers and
- rural development funding.

For rural development, the Commission proposes to increase national co-financing rates. In addition, an amount of €10 billion in Horizon Europe will support research and innovation in food, agriculture, rural development and the bioeconomy.

Source: European Commission
SUSTAINABILITY, ENVIRONMENT PROTECTION AND FIGHT AGAINST CLIMATE CHANGE

Climate Mainstreaming
contributing to climate objectives

20% of Multiannual Financial Framework
2014-2020, EU 28 = 206 billion

x 1.6

25% of the Multiannual Financial Framework
2021-2027, EU 27 = 320 billion

Combined increase = + €114 billion

- **LIFE programme** will be strengthened (€5.4 billion) and will also support measures promoting energy efficiency and clean energy.

- **Common Agricultural Policy** will place a greater emphasis on environment and climate. It will support the transition towards more sustainable ways of providing safe and high-quality food for the EU’s consumers.

- All **farmers** receiving area payments will have to comply with a range of requirements related to climate change, water, soil, biodiversity and landscapes.

*Source: European Commission*
The EU budget for the management of external borders, migration and asylum will be significantly reinforced, overall, reaching €35 billion, compared to €13 billion for the period 2014-2020.

Source: European Commission

*European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice*

Note: Compared to the Multiannual Financial Framework 2014-2020 at EU-27
+ €28 billion (of which €5 billion for security)

€13 billion (over the 7 years period) for the European Defence Fund

€7 billion (through the Connecting Europe Facility) to enhance strategic transport infrastructures to make them fit for military mobility

European Peace Facility for action in external security and defence

Source: European Commission

Note: Compared to Multiannual Financial Framework at eu-27 (estimate)
Over half of all development aid comes from the EU and its members, making them collectively the world's largest aid donor.

The Commission proposes to increase investment in the external actions up to 26% to reach €123 billion in the future long-term EU budget.

Source: European Commission
Major restructuring of the EU’s external action instruments to provide better coherence, build on cooperation effectiveness, simplify processes and use economies of scale.

New neighbourhood, development and international cooperation instrument
EXTERNAL ACTION GUARANTEE

Supplying financing capacity to public and private investments in partner countries for sustainable development and growth

Balance of Payments support through Macro-Financial Assistance (MFA)

IMPLEMENTING PARTNERS

Member States Financial Institutions  EIB  EBRD  Others

PROJECTS IN FAVOUR OF

Micro-enterprises  SMEs  Innovative companies  Energy efficiency  Social economy
Digital infrastructures  Sustainable cities  Agriculture  Agribusiness

Refloows  Guarantee calls  Loan

Source: European Commission
MORE FLEXIBLE
FLEXIBILITY
Providing an agile response to new needs and challenges

Programming
• Re-programming at mid-term
• Blending of funds & transfers between management modes

Response to crises & unforeseen events
• Programme Reserves (unallocated envelopes) within each programme
• Agricultural Crisis Reserve
• Union Civil Protection Mechanism
• Special Instruments:
  - Emergency Aid Reserve
  - European Union Solidarity Fund
  - European Globalisation Adjustment Fund
  - Off-budget: European Peace Facility

Extra flexibility between headings and years
• Global Margin for Payments
• Contingency Margin
• Flexibility Instrument
• From Global Margin for Commitments to Union Reserve:
  ✓ Unused margins from previous years
  ✓ Decommitments: Funds that have been committed to the EU budget but which are ultimately not spent in the implementation of EU programmes
PRAGMATIC
STRONGER LINK WITH THE EUROPEAN SEMESTER OF ECONOMIC POLICY COORDINATION

coordination and
complementarity of financing
from cohesion policy funds
and the new Reform Support
Programme

roadmap for the short,
mid- and long-term
planning and monitoring
of investments

technical and financial
support for reforms at
national level

**Economic governance framework of the European Semester**

- **SUPPORT TO REFORM**
  - Reform Support Programme
    - Reform Delivery Tool
    - Convergence Facility
    - Technical Support Instrument

- **SUPPORT TO INVESTMENT**
  - European Structural and Investment Funds
    - InvestEU Fund
      building on the success of the Juncker Plan

- **STABILISATION IN CASE OF SHOCKS**
  - European Investment Stabilisation Function
SOUND FINANCIAL MANAGEMENT AND THE RULE OF LAW

New **mechanism** will allow:

- to suspend, reduce or restrict access to EU funding

in a manner proportionate to the nature, gravity and scope of the rule of law deficiencies

- when a "generalised deficiency" may affect the financial interests of the EU

It will **apply to**:

- all EU funds implemented in shared management

- to funds implemented in direct and indirect management where the financial beneficiary is a government entity

It would **not affect**:

- the individual beneficiaries of EU funding

- Member States would continue to be obliged to implement the affected programmes and pay final recipients

**HOW WILL IT WORK?**

1. The Commission sees that conditions for invoking the mechanism are fulfilled
2. The Commission informs the Member State concerned
3. Member State has a specified time period which shall not be less than one month to send explanations
4. The decision to impose such protective measures will then be taken by the Commission
5. The Council will need to adopt the decision through reversed qualified majority voting
6. The measures will stay in place until the deficiencies regarding the rule of law cease to exist
NEW SOURCES OF REVENUE
## FINANCING THE EU BUDGET (1)
### Simplication and diversification of revenue sources

### Modernisation of existing Own Resources

- **Value Added Tax-based**: simplified
- **Traditional Own Resources (mainly customs duties)**: lower collection costs (20% to 10%)
- **GNI-based contribution**: smaller share

### Other revenues

- **Seigniorage** (External assigned revenue for new Investment Stabilisation Function)
- **Revenues of new European Travel Information and Authorisation System**

### New Own Resources

- **Common Consolidated Corporate Tax Base**: 20% of revenues from emissions trading system
- **National contribution based on non-recycled plastic packaging waste**

### No rebates

- **Phasing out mechanism over five years**

### Higher Own Resources ceiling

- From currently 1.2% of GNI to 1.29% of GNI

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*Source: European Commission*
FINANCING THE EU BUDGET (2)

Development of sources for financing of the EU budget.

Source: European Commission
NEXT STEPS

FROM MAY TO JULY

Technical analysis in Council and Parliament of the MFF proposals + programmes

MFF

02.05
College adoption of MFF package

14.05
Presentation in EP Plenary in Brussels

Presentation to General Affairs Council

29.05
Batch I

European Regional Development Fund, Cohesion Fund and Common Provisions Regulation

30.05
Investing in People, Social Cohesion & Values Programmes (including European Social Fund+, European Globalisation Adjustment Fund, Erasmus+, European Solidarity Corps, Creative Europe and Justice, Rights and Values)

31.05
Economic and Monetary Union Programmes (including Reform Support Programme, European Investment Stabilisation Function and Pericles)

06.06
Batch II

06.06
Common Agricultural Policy, European Maritime & Fisheries Fund and the LIFE Programme for Environment and Climate Action

06.06
European Strategic Investment (including InvestEU, Connecting Europe Facility, Digital Europe Programme) and Space

06.06
Research and Innovation (Horizon Europe, International Thermonuclear Experimental Reactor and Euratom)

06.06
Single Market Programme, Anti-Fraud Programme, Fiscalis and Customs

06.06
Migration and Border Management

06.06
European Defence Fund, Security and Nuclear Safety

06.06
Neighbourhood and the World (including Neighbourhood, Development and International Cooperation Instrument, Pre-accession Assistance; Overseas Countries & Territories (including Greenland)

12.06
Batch III

Source: European Commission
NEXT STEPS

- **02/05 2018**: Multiannual Financial Framework beyond 2020 package
- **13/06 2018**: Legislative sectoral proposals for spending programmes
- **28-29/06/2018**: European Council
- **12/09 2018**: President Juncker’s State of the Union Address
- **18-19/10/2018**: European Council
- **13-14/12/2018**: European Council
- **21-22/03/2019**: European Council
- **09/05 2019**: Sibiu Summit
‘This budget proposal is truly about EU added value. We invest even more in areas where one single Member State cannot act alone or where it is more efficient to act together - be it research, migration, border control or defence. And we continue to finance traditional - but modernised - policies, such as Common Agricultural Policy and Cohesion Policy, because we all benefit from the high standard of our agricultural products and regions catching up economically.’

Günther H. Oettinger, Commissioner for Budget & Human Resources, 2 May 2018