European Commission

EU BUDGET FOR THE FUTURE

#EUBudget #EURoad2Sibiu #FutureofEurope

December 2018

PAVING THE WAY FOR A MODERN, BALANCED AND FAIR BUDGET

'Leaders have agreed together on the Union's priorities. We need to ensure that those priorities are adequately funded in the next long-term budget so that they become reality. I am encouraged by the amount of progress reached so far. Based on this progress, it is now the moment for Leaders to provide the necessary political guidance which paves the way for rapid agreement on the next long-term budget.'

Jean-Claude Juncker, President of the European Commission.

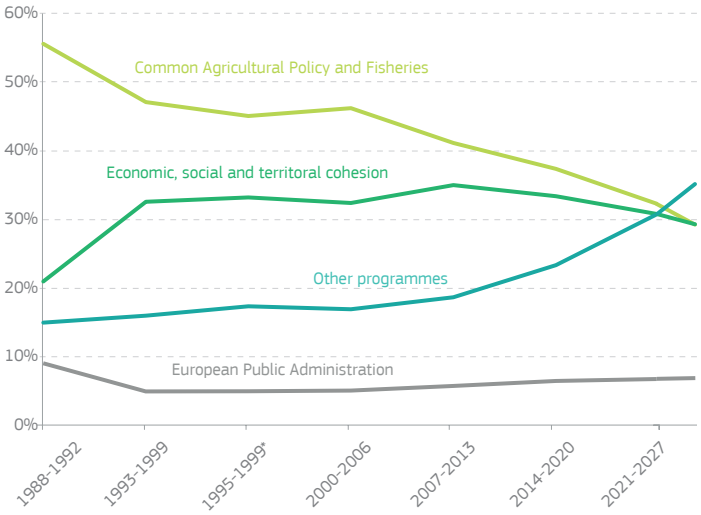
'Thanks to the excellent work of the Bulgarian and Austrian Presidencies, unprecedented progress has already been made in negotiating the EU's next long-term budget. In parallel, work in the European Parliament has also moved forward. Let's keep this momentum and make further progress based on the political steer that the European Council will provide later this month.'

Günther H. Oettinger, European Commissioner for Budget and Human Resources.

A BALANCED BUDGET

At a time of immense challenges and opportunities, the Union of 27 needs a budget that will help it to deliver efficiently across all priorities. In line with the political agenda set out by Leaders in Bratislava and Rome, the budget should offer tangible answers to the challenges of technological, demographic and climate change. It should show that the Union is ready to protect itself against new security threats and geopolitical instability and that it will continue to invest in sustainable economic growth, social and territorial cohesion.

The Commission's proposals modernise the budget by providing a significant and necessary funding boost in key areas. For the first time, the Commission has proposed that the largest share of the budget is allocated to programmes such as Erasmus, Horizon Europe, Digital Europe, Border Management, and Security. Strong support for Cohesion Policy and the Common Agricultural Policy is also maintained.



Other programmes include for example

- Horizon Europe
- Digital Europe Programme
- Single Market Programme
- Erasmus
- Asylum and Migration Fund
- Internal Security Fund
- European Defence Fund
- Neighbourhood, Development and International Cooperation Instrument...

As proposed by the Commission, it will be essential for the credibility of the new long-term budget to strike the **right balance** between these broad expenditure areas – agriculture and maritime policies, Cohesion Policy and the other programmes that will be so vital to Europe's future.

A SIMPLER, MORE TRANSPARENT BUDGET

Stakeholders have urged the Commission to simplify and streamline the budget –and in its proposals the Commission has followed up. The number of programmes has been reduced from 58 to 37. New, streamlined programmes in strategic areas such as external action and the Single Market will make investment from the EU budget more visible and better targeted. It will also help fully exploit the synergies between different EU programmes.

Existing Multiannual Financial Framework structure includes 58 programmes

58

New programmes or instruments in the new proposal

37

The European Council should confirm the principle of a **simpler, more streamlined** budget, on the basis of the simplified architecture and programmes proposed by the Commission.

A MORE FLEXIBLE BUDGET

The need for flexibility in the budget has never been more apparent than it is today. In a highly turbulent world, it is impossible to predict where the EU will need to act in 2027. Flexibility is therefore an important element of the future EU budget.

What has flexibility brought so far?

- Mobilise **€196 million** for the labour market reintegration of displaced workers;
- Ensure extra **€5.6 billion** from 2015 to 2018 to respond to the refugee crisis inside and outside of the EU;
- Provide **€1.6 billion** to regions in 16 Member States affected by natural disasters and **€1.5 billion** to make sure the EU can offer adequate humanitarian aid to countries affected by conflicts or health crises.

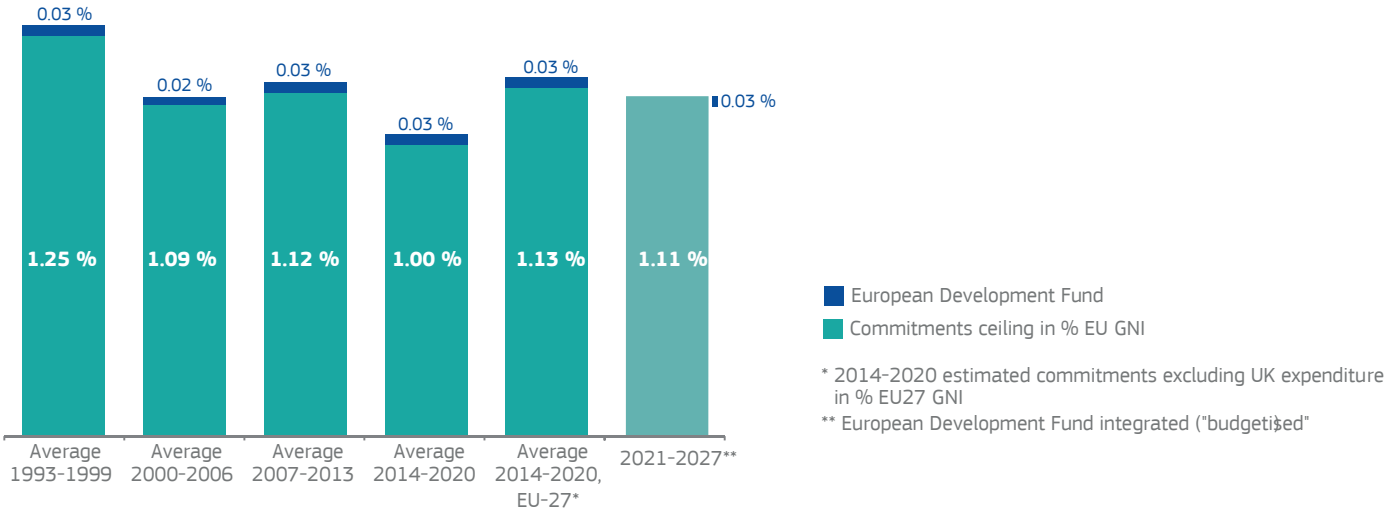
The European Council should confirm the need for a more flexible long-term budget to react **quickly, decisively and efficiently** in a fast-changing world, based on the architecture proposed by the Commission.

A FAIR BUDGET THAT CAN DELIVER

Fairness lies at the heart of the Commission's proposals, both in terms of how and where the EU budget is spent, and of how the budget is financed. This must be a budget for all Europeans, investing in areas where the EU budget can deliver what national budgets cannot.

The Commission has proposed a budget equivalent to around 1.11% of the gross national income of the future Union of 27 Member States – a proposal that strikes a fair balance that is both ambitious and realistic.

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



The principle of fairness must extend to the financing of the budget. The Commission has proposed a basket of possible new own resources chosen for their strong link with European policies.

Modernisation of existing Own Resources

- **Value Added Tax-based:** Simplified
- **Traditional Own Resources (mainly Customs duties):** Lower collection costs (20% ⇨10%)
- **GNI-based contribution:** Smaller share

New Own Resources

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

Other revenues

Seigniorage (External assigned revenue for new Investment Stabilisation Function)

Revenues of new European Travel Information and Authorisation System

No rebates

Phasing out mechanism

Higher Own Resources Ceiling

From currently 1.2% of GNI to 1.29% of GNI

The next long-term budget should allow the Union to deliver efficiently on its priorities in a way that is **fair to all**. As part of this, the European Council should support the ongoing work on the reform of the financing of the EU budget and agree on the principle of introducing new own resources.

THE TIME TO ACT IS NOW

A swift agreement on the future long-term budget would allow the Union to look to the future with confidence. It would show Europe's strength and unity at a crucial moment for the Union, and demonstrate the capacity to act to protect, empower and defend. It would provide a boost to the economy and avoid damaging delays to essential investments, such as were seen in 2014.

A timely agreement would:

- accelerate Europe's **digital transformation**, investing in high-performance computing, artificial intelligence, cybersecurity and digital skills to compete on the global technology market;
- create **tens of thousands research jobs** already in 2021 and **many more** in the **wider economy**;
- allow over **100,000 Cohesion Policy** projects to start on time;
- allow as many as **1,000,000 young people** to benefit from an Erasmus exchange and give the opportunity to **40,000 young people** to engage in solidarity action across Europe already in 2021;
- support **start-ups and small and medium-sized companies** to carry out their investments;
- ensure funding to a number of large-scale infrastructure projects such as **Europe's space programmes**, the **Rail Baltica** project or the **Brenner base tunnel**;
- significantly step up **defence investments**, to enhance Europe's strategic autonomy in protecting and defending its citizens;
- support the development of a fully integrated European **border management system**, protecting the Union **against trafficking, smuggling and fraud**.

The Commission calls on the European Council to confirm its goal of making maximum progress on the future framework by the time of the Sibiu Summit on 9 May 2019. A political agreement on the new long-term budget should be achieved by the European Council in October 2019. This would allow its adoption by the Council by the end of 2019 after the consent of the European Parliament.

13-14 DECEMBER 2018
European Council

9 MAY 2019
Sibiu Summit
- maximum progress

OCTOBER 2019
European Council
agrees on the long-term budget

END 2019
adoption following a **consent** of the **European Parliament**