

# Draft EU Budget 2018 – Questions and Answers

## 2. What are commitments and payments?

Commitments are the total volume of promises for future payments that can be made in a given year. Commitments must then be honoured with payments, either in the same year or, particularly in the case of multi-year projects, over the following years.

Payments are the actual money paid in a given year from the EU budget to cover commitments.

For instance, when the EU decides to co-fund the building of a bridge, the total amount which the EU agrees to cover is a commitment. The bills for the work done are the payments. The commitment is made in year X. The payments from the EU budget may follow in the same year X, but also in year X+1, X+2, X+3, etc.

## 3. What is the multiannual financial framework?

Since 1988, EU leaders have agreed on long-term spending plans – known as ‘multiannual financial frameworks’ (MFF) – that provide a stable basis for appropriate planning and implementation of programmes throughout a period of seven years. The MFF allows the EU to complement national budgets, by funding policies with a European added value.

The MFF is not the budget of the EU for seven years. It provides a framework for financial programming and budgetary discipline by ensuring that EU spending is predictable and stays within the agreed limits. Indeed, the commitments and the payments for a given year need to respect the ceilings for that year set out in the MFF (see a table below). The current MFF was

decided by the European Parliament and the Member States in 2013, ahead of the start of current 2014-2020 period.

*In billion (€)*

Commitment appropriations 2018	Ceilings	Draft budget	Margins (before use of special instruments)	Use of special instruments	Un-allocated margins
1a.Competitiveness for growth and jobs (14%)	21.2	21.8	-0.6	0.7	0.1
1b.Economic, social and territorial cohesion (34%)	55.2	55.4	-0.2	0.2	-
2. Sustainable Growth: natural resources (37%)	60.3	59.6	0.7	-	0.7
3. Security and Citizenship (2%)	2.7	3.5	-0.8	0.8	-
4. Global Europe (6%)	9.8	9.6	0.2	-	0.2
5. Administration (6%)	10.3	9.7	0.7	-0.6	0.1
<b>Total headings</b>	<b>159.5</b>	<b>159.5</b>	<b>-</b>	<b>1.1</b>	<b>1.1</b>
EAR, EUSF & EGF (1%)	1.1	1.1	-	-	-
<b>Grand total</b>	<b>160.6</b>	<b>160.6</b>	<b>-</b>	<b>1.1</b>	<b>1.1</b>
<i>In % of EU-28 GNI</i>	<i>1.02</i>	<i>1.02</i>			

*In billion EUR*

Payment appropriations 2018	Ceilings	Draft budget	Margin *
<b>Total headings</b>	<b>154.6</b>	<b>144.8</b>	
<i>of which Flexibility instrument</i>		<i>0.7</i>	
EAR, EUSF & EGF	0.6	0.6	
<b>Grand total</b>	<b>155.2</b>	<b>145.4</b>	<b>10.4</b>
<i>In % of EU-28 GNI</i>	<i>0.99</i>	<i>0.93</i>	

\* special instruments over and above ceilings

The MFF also allows the EU to carry out common policies over a period that is long enough to make them effective. This long term vision is important for potential beneficiaries of EU funds, co-financing authorities as well as national treasuries.

#### 4. How is the EU budget financed?

There are three types of own resources financing the EU budget:

- Own resources based on gross national income (GNI): each Member State transfers a certain percentage of its wealth to the EU budget. These GNI contributions usually account for around 70% of total EU budget revenue.
- Traditional own resources (around 15% of total EU revenue) consist mainly of customs duties on imports from outside the EU, and sugar levies. 80% of the amounts which Member States collected from customs duties and sugar levies go to the EU budget. Member States keep the rest to cover their administration costs.
- Own resources based on value added tax (VAT): a small percentage of Member States' harmonised VAT base also goes to the EU budget. This resource represents around 15% of total EU revenue.

Other sources of revenue include taxes and other deductions from EU staff salaries, bank interest, contributions from non-EU countries to certain programmes, and interest on late payments and fines.

#### 5. What is the relative size of the EU budget?

The proposed EU budget for 2018 is €161 billion in commitments.

Thanks to its multiplication effect and the fact that it focuses on results, this budget can have a big impact: for example, for the period 2007-2013, EU Cohesion funds boosted average GDP by 2.1% a year in Latvia, 1.8% in Lithuania and 1.7% in Poland.

The EU budget also helps invest in infrastructure, skills and other areas through regional funding; creates jobs through programmes like the Youth Employment Initiative; supports research and innovation thanks to Horizon 2020; and makes sure people get high-quality agricultural products on their table thanks to the Common Agricultural Policy.

## 6. How is the EU budget spent?

Each year, the amounts for each of the main categories of expenditure ('headings') are set based on the expected needs for the following year and with respect to the MFF.

Some 94% of the EU budget is spent on projects – in Member States and beyond. The money therefore goes to citizens, regions, cities, farmers, businesses, universities, NGOs and more. The EU budget finances the policies of the European Union, which have a positive impact on the lives of all EU citizens and of many people across the world. It funds areas like employment, regional development, research and education, environment, humanitarian aid and many others (see [concrete examples](#)). Only around 6% of the budget goes to administration (buildings, equipments, salaries, social security and pensions).

For about 80% of the EU budget, Member States are responsible for choosing the beneficiaries and making sure they have done the job they have promised to do before paying them ('shared management').

## 7. How is the EU budget managed?

About 80% of the EU budget is managed by the national authorities in the EU Member States. The remaining 20% is implemented under direct management (by the Commission) or indirect management (via third parties, such as the European Investment Bank).

## 8. How much is allocated for the migration crises? Which actions are planned?

Addressing the migration crisis – within the EU borders and outside – has been a top priority since the beginning of the Juncker Commission. EU funding for migration and external border management more than doubled in 2015 and 2016. Whilst many of the measures supported in 2015 and 2016 are still on-going (such as relocation and resettlement), the EU budget was also mobilised to swiftly support measures to immediately improve migration management and the situation for refugees and migrants, such as the important funding provided under the Facility for Refugees in Turkey or actions funded under the new Migration Partnership Framework with third countries.

During the period 2015-2018, an overall amount of almost €22 billion is

dedicated to actions both inside and outside the EU:

- €9.5 billion under heading 3 on Security and Citizenship
- €9.9 billion under heading 4 on Global Europe, and
- €2.6 billion for the Africa Trust fund for the period 2015-2020 with €2.2 billion contribution from the European Development Fund.

For the year 2018, the Draft Budget provides continuity for the actions adopted in the last three years. As the worst of the crisis seems to have dissipated, we are proposing to shift from reactive towards preventive measures. Strong measures are in place, or close to finalisation, and we now have an equally challenging phase of integration and implementation of the agreed actions. Pending a potential agreement on a prolongation of the Facility for Refugees in Turkey, no amounts for the Facility are included in the draft budget.

For the year 2018, €2.2 billion is foreseen for the internal aspects of migration and security. In addition, actions to address the root causes of migration are funded under heading 4 (Global Europe) particularly through focusing the appropriations (within the programmes) to migration-related actions. Under this heading, an amount of €1.9 billion serves this objective. A new pledge for Syria, Jordan and Lebanon of €560 million is included.

#### 9. Why are payments increasing in 2018?

The proposed level of payments is €145.4 billion. This gives an overall increase of +8.1% compared to the 2017 budget. This increase is not unexpected as it is driven by the increase in the payments for European Structural and Investment Funds which should fully reach cruising speed in 2018. The vast majority of payments (94 %) relate to the funding of new programmes (for the period 2014-2020) and only 6 % concern the completion of the old programmes (prior to 2014).

As a matter of fact, it is not the 2018 level which is high – rather, the 2017 level was exceptionally low. This is mainly due to the expenditure cycle of the European Structural and Investment Funds: 2017 is a year where the 2007-2013 programmes have hardly received any payments any more while the new 2014-2020 programmes have not yet reached cruising speed.

In any event, even with this significant increase, a margin of €10.4 billion remains available under the 2018 ceiling for payments.

#### 10. How does the draft budget for 2018 relate to the mid-term revision of the multiannual financial framework?

In September 2016, the Commission proposed a mid-term revision of the current MFF. The main objective was to increase funding and flexibilities available to continue to provide an appropriate budgetary response to the two main political priorities – growth and jobs and response to migration – and reinforce the flexibility and agility of the budget.

After intense negotiations between the three institutions, unanimous agreement was reached in the Council on 7 March 2017, and the European Parliament gave its consent on 5 April to a mid-term revision package, including the revision of the MFF regulation as well as a number of political agreements concerning, in particular, the reinforcement of specific programmes.

In accordance with relevant procedures, the General Affairs Council of 25 April was supposed to give final approval to the mid-term revision. However, upon last minute request from the United Kingdom, the point was removed from the agenda. The arguments invoked are linked to the *pardah* (the official pre-election period during which the Government is not allowed to adopt any major decisions).

The formal adoption in Council is expected to take place shortly after the UK elections on 8 June, when the UK government will no longer be constrained by the rules governing the pre-election period.

Given the political agreement in both the European Parliament and the Council, the draft budget 2018 already anticipates this formal adoption and incorporates the elements of the mid-term revision package related to 2018.

In case the mid-term revision were not to be adopted, certain additional expenditure envisaged for the period 2018-2020 would be at risk, since they can no longer be assumed to be politically pre-agreed.

This concerns most prominently the remaining €700 million for the Youth Employment Initiative – which would a negative signal from Europe to its youth in need of support – and other funds supporting education, research, investment and growth. Horizon2020, which supports collaborative research and innovative SMEs, and CEF-Transport, which delivers trans-European networks, would be affected. Wifi4EU, a proposal aiming to deliver free Wifi to communities across the Union would face a funding gap.

Furthermore, the Commission would lose additional flexibilities foreseen in the mid-term revision, which would benefit notably security and migration. Without additional flexibility until 2020, the capacity of the EU budget to provide a meaningful financial response to unforeseen events will be seriously limited, particularly in the area of migration, for example in case the European Council were to decide on a prolongation of the Facility for Refugees in Turkey.

11. What is the impact of Brexit?

The UK withdrawal will have no direct impact on the 2018 budget as the UK is expected still be a full member of the EU during that year.

12. What is the 'Budget Focused on Results' initiative?

To ensure that the EU budget is used for concrete actions to the benefit of all Europeans, the Commission continues its initiative '[Budget Focused on Results](#)'. The draft budget therefore specifically highlights what the programmes have achieved to date and what is expected of them in terms of

results, progress and challenges ahead.

The 'EU Budget Focused on Results' is organised around four priority areas:

- **Where do we spend? The goal is to invest the EU budget according to the Commission's policy priorities**, such as stimulating growth, jobs and competitiveness, and responding swiftly and effectively to emergencies such as the current refugee crisis.
- **How do we spend? This means maximising the use of EU funds once we have decided where we spend.** For example, using the funds in the budget to attract additional financing (an example is the investment plan for Europe, in which the budget is used to mobilise loans which will stimulate investment), creating better incentives like additional funding (for instance in the structural funds for regional development regions that perform well can be rewarded with further funding) and simplification (create simpler rules to make it easier for beneficiaries to get access to funds).
- **How is budget performance assessed? This means ensuring better results by rigorous application of our control framework and performance-based budgeting.** To achieve this, the Commission is already working together with Member States, who are responsible for managing 80% of the budget, to make sure they carefully monitor implementation and carry out detailed assessments of all financed projects.
- **How do we communicate? The objective is to improve awareness of the benefits of the EU budget.** The Commission annually publishes the Management and Performance Report for the EU Budget which provides a comprehensive overview on the performance, management and protection of the EU budget. It explains how the EU budget supports the EU political priorities, the results achieved with the EU budget, and the role the Commission plays in ensuring and promoting the highest standards of budgetary and financial management. This is a step towards improving citizens' awareness of where their money goes.

13. What happens next?

The European Commission now submits the draft 2018 EU budget to the European Parliament and the Council which together take the final decision.

The Council usually adopts its position during the summer months and the Parliament expresses its opinion at the beginning of the autumn.

A specific Conciliation Committee is usually convened in November to reconcile the positions of the Parliament and the Council. It has 21 days to agree on a common budget, which both institutions should afterwards approve. This year, the period runs between 31 October and 20 November.

For More Information:

- [Press release on the Draft EU Budget 2018](#)
- [Draft EU budget 2018 documents](#)

- [EU Budget Focused on Results](#)
- [EU Results](#) (online collection of EU funded projects)
- [ESI Funds Open Data Portal](#)