

# Draft EU Budget 2020 – Questions and Answers

## 1. What are the priorities of the draft budget for 2020?

The goal of the proposed 2020 EU budget is to contribute to a more competitive European economy, and to ensure solidarity and security in the EU and beyond. It is designed to optimise funding for existing programmes as well as new initiatives and to boost the European added value in line with the Juncker Commission's priorities.

21% of the overall proposed budget for 2020 will go to tackle climate change. This aligns with the ambitious target of spending 20% of EU's current long-term budget on activities that address climate change.

APPROPRIATIONS BY MFF HEADING (and in % of total EU budget in CA)	Draft Budget for 2020 (In billion EUR)		Difference with 2019 budget (in %)	
	CA <sup>1</sup>	PA <sup>2</sup>	CA	PA
1. Smart and inclusive growth: (49.5%)	83.3	72.2	3.3%	6.8%
1a. Competitiveness for growth and jobs	24.7	22.1	5.5%	7.7%
1b. Economic, social and territorial cohesion	58.6	50.0	2.5%	6.4%
2. Sustainable Growth: natural resources (35.7%)	60.0	58.0	0.6%	1.1%
Market related expenditure and direct aids	43.5	43.5	0.8%	0.9%
3. Security and Citizenship (2.2%)	3.7	3.7	-1.5%	5.6%
4. Global Europe (6.1%)	10.3	9.0	-8.9%	-4.0%
5. Administration (6.1%)	10.3	10.3	3.8%	3.8%
Other special Instruments (0.3%)	0.6	0.4	-32.5%	-40.6%
Total appropriations	168.3	153.6	1.3%	3.5%
In % of EU-28 GNI	0.99%	0.90%		

## 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-annual projects, over the following years.

Payments are the actual money paid in a given year from the EU budget to cover commitments of current and previous years.

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 long-term EU budget?

The long-term EU budget, also referred to as Multiannual Financial Framework (or 'MFF'), provides a stable framework for implementing the EU's annual budgets. It translates the Union's political priorities into financial terms for a period of several years and sets annual maximum amounts ('ceilings') for EU expenditure as a whole and for the main categories/priorities of expenditure ('headings'). It allows the EU to complement national budgets by funding policies with a European added value.

The long-term EU budget provides a framework for financial programming and budgetary discipline by ensuring that EU spending is predictable and stays within 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 the table below). At the same time, it gives certainty to beneficiaries of EU funds, such as small and medium-sized enterprises, regions catching up, students, researchers, farmers or civil society organisations, as well as to national, regional, and local authorities. It also foresees some special instruments which provide some flexibility and allow, if need be, to respond to unforeseen budgetary needs.

The current MFF was decided by the European Parliament and the Member States only in December 2013, very late ahead of the start of current 2014-2020 period. On 2 May 2018, the Commission [proposed](#) a pragmatic, modern, long-term budget for the 2021-2027 period.

### 4. Where does the money come from in the current long-term budget?

The revenue sources of the EU budget have remained the same over the last decades: customs duties, contributions from the Member States based on value added tax (VAT) and those based on gross national income (GNI). After a gradual decrease of customs duties, the GNI contributions became the predominant source of funding the EU budget (at about 80%, together with VAT-based contributions).

- Customs duties are levied on economic operators, collected at the external borders of the EU and go directly to the EU budget. Member States currently retain 20% of the amount as collection costs;
- The current VAT bases of all Member States are harmonised through a statistical process before a uniform rate of 0.3% is levied on each Member State, with some exceptions;
- The GNI Own Resource finances the part of the budget not covered by other revenues. The same percentage is levied on each Member State's GNI. The rate is fixed as part of the annual budgetary procedure. Some Member States benefit from a reduction.

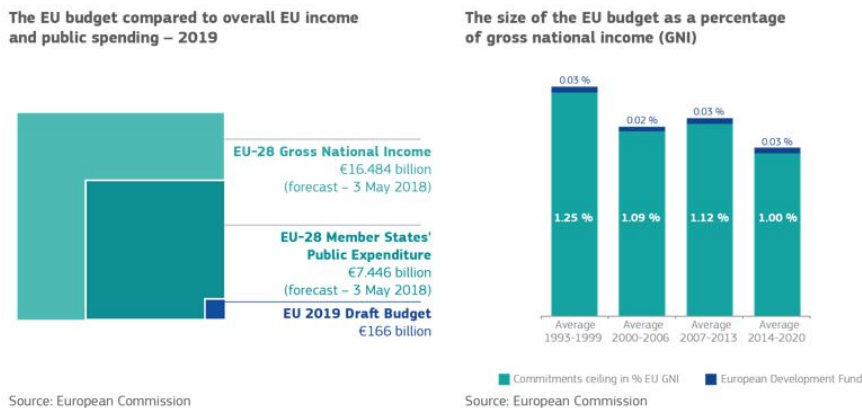
Other sources of revenue include taxes and other deductions from EU staff salaries, bank interest, contributions from non-EU countries to certain programmes, and interest on late payments and fines.

As part of its proposal of 2 May 2018 for the long-term budget for the

2021-2027 period, the Commission also proposed to modernise and simplify the current overall financing system and diversify the budget's sources of revenue.

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

The EU budget has remained a small part of total public expenditure in the EU, accounting for less than 1% of EU income and only around 2% of EU public expenditure. This share has declined over time. This decline has put an increased pressure on the EU budget to be more efficient, to focus on the areas where its impact is greatest and to ensure that burdensome rules and procedures do not get in the way of results.



The proposed EU budget for 2020 is €168 billion in commitments and €154 billion in payments.

## 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 long-term budget.

Some 94% of the EU budget is spent on projects – in Member States and beyond. The money 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 [some](#) concrete examples are available here). Only around 6% of the budget goes to administration (buildings, equipment, salaries, social security and pensions for all EU Institutions).

These 6% might look substantial at first sight. But not if considered in a broader perspective. The EU administration works for EU's 500 million citizens and stands behind achievements such as the highest data protection standards in the world, cheap phone calls for people travelling abroad, no extra fees when people use their credit cards to shop in the supermarket. European taxpayer actually gets a true "return on investment".

## 7. How is the EU budget managed?

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

## 8. Why are payments increasing in 2020?

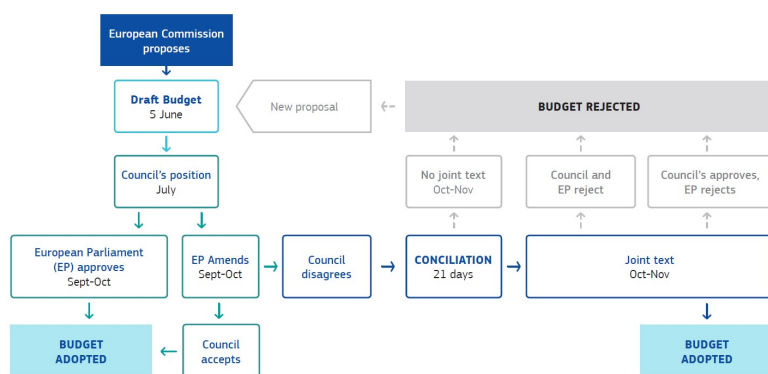
The proposed level of payments is €154 billion. This gives an overall increase of +3.5% compared to the 2019 budget. The most substantial increase of 6.8% is in the area of smart and inclusive growth – both for competitiveness by 7.7% and for cohesion by 6.4%. The highest increase is for the new cohesion programmes (13.7%) which is a sign that the programmes under the current programming period 2014-2020 are being implemented, projects are being put in place so payments are following. Money in the area of security and citizenship is also increasing by 5.6%. It goes to priority projects like strengthening the European Border and Coast Guard Agency (Frontex) as a follow up on the agreement of the European Parliament and the Council to set up a standing corps of 10,000 border guards by 2027, as well as the new rescEU programme – an upgrade of the existing Civil Protection Mechanism – to better respond to earthquakes, wildfires and other disasters.

## 9. What happens next?

The European Commission now submits the draft 2020 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 in autumn.

A specific Conciliation Committee is convened usually in November to reconcile the positions of the Parliament and the Council. It has to agree within 21 days on a common budget, which both institutions should afterwards approve. This year, the period runs between 29 October and 18 November.



For More Information:

- [Draft EU budget 2020](#) (press release of 05/06/2019)
- [Draft EU budget 2020 documents](#)